INTERNATIONAL
STANDARD
RESOURCES
標 準 資 源

INTERNATIONAL STANDARD RESOURCES HOLDINGS LIMITED

(Stock code : 91)

ANNUAL REPORT
2014

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Cheng Wai Keung
Tam Tak Wah
Tsang Ching Man

Independent Non-Executive Directors

Albert Saychuan Cheok *(Chairman)*
Chan Tsz Kit
Chan Yim Por Bonnie
Wang Li

CHIEF EXECUTIVE OFFICER

Lyu Guoping

AUTHORISED REPRESENTATIVES

Tam Tak Wah
Tsang Ching Man

COMPANY SECRETARY

Tsang Ching Man

AUDIT COMMITTEE

Chan Tsz Kit *(Chairman)*
Chan Yim Por Bonnie
Albert Saychuan Cheok
Wang Li

NOMINATION COMMITTEE

Albert Saychuan Cheok *(Chairman)*
Chan Tsz Kit
Chan Yim Por Bonnie
Wang Li

REMUNERATION COMMITTEE

Chan Yim Por Bonnie *(Chairman)*
Chan Tsz Kit
Albert Saychuan Cheok
Wang Li

PRINCIPAL BANKERS

The Bank of East Asia, Limited
DBS Bank (Hong Kong) Limited

LEGAL ADVISOR

D.S. Cheung & Co., Solicitors

AUDITOR

HLM CPA Limited
Certified Public Accountants
Room 305
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

REGISTERED OFFICE

Unit E, 29/F, Tower B
Billion Centre
No. 1 Wang Kwong Road
Kowloon

SHARE REGISTRARS

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING EXCHANGE

The Stock Exchange of Hong Kong Limited
Stock code: 91
Warrant stock code: 01407

COMPANY WEBSITE

www.intl-standardresources.com

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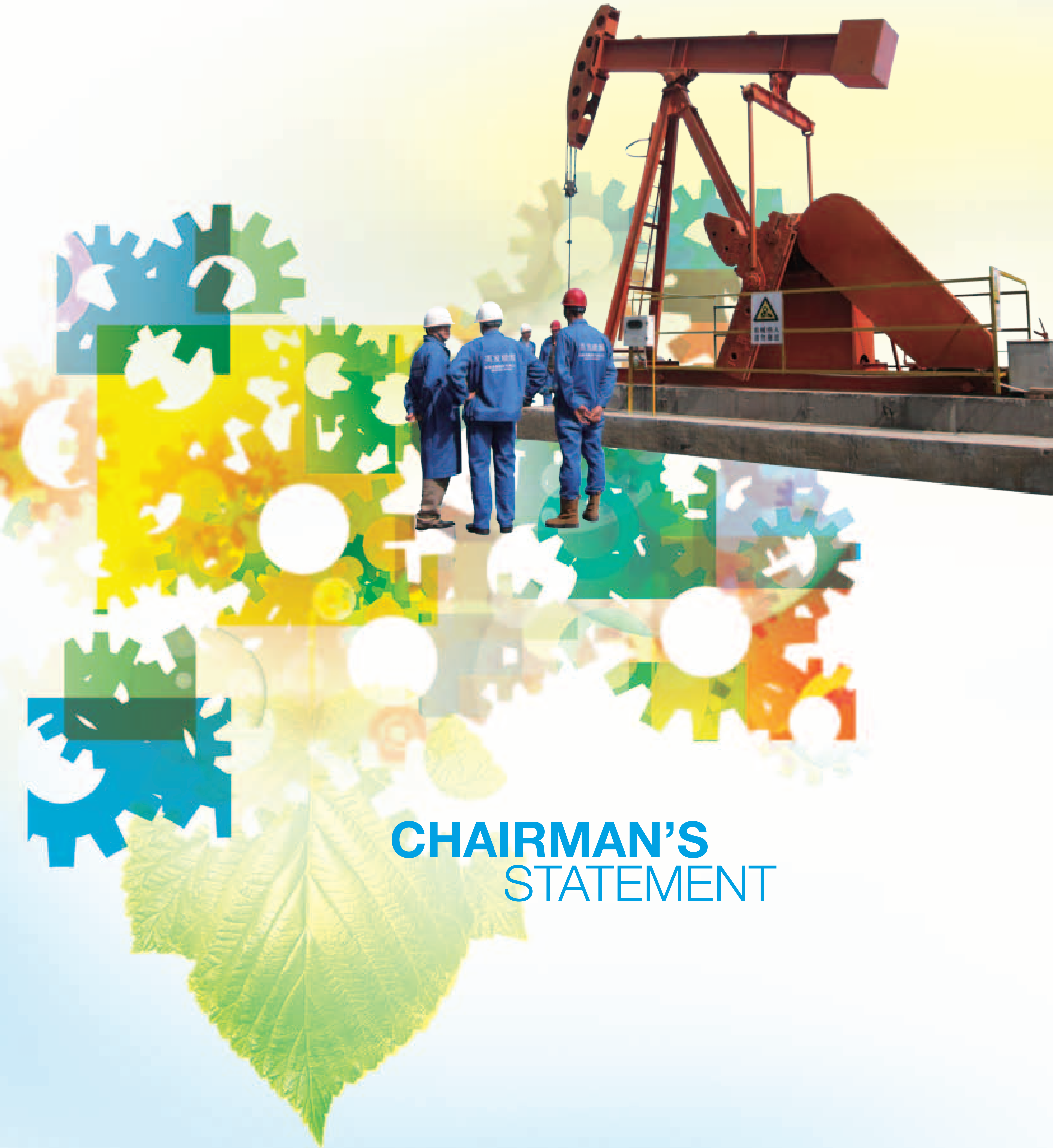


CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

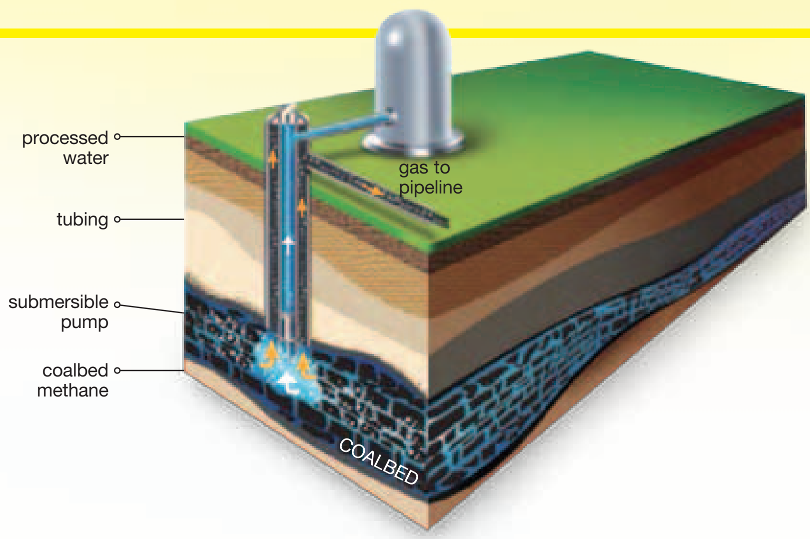
Dear Shareholders,

On behalf of the Board of Directors ("the Board") of International Standard Resources Holdings Limited ("International Standard Resources" or "the Group"), I hereby present the Annual Report for the financial year ended 31 December 2014.

BUSINESS REVIEW

Coalbed Methane ("CBM") Business

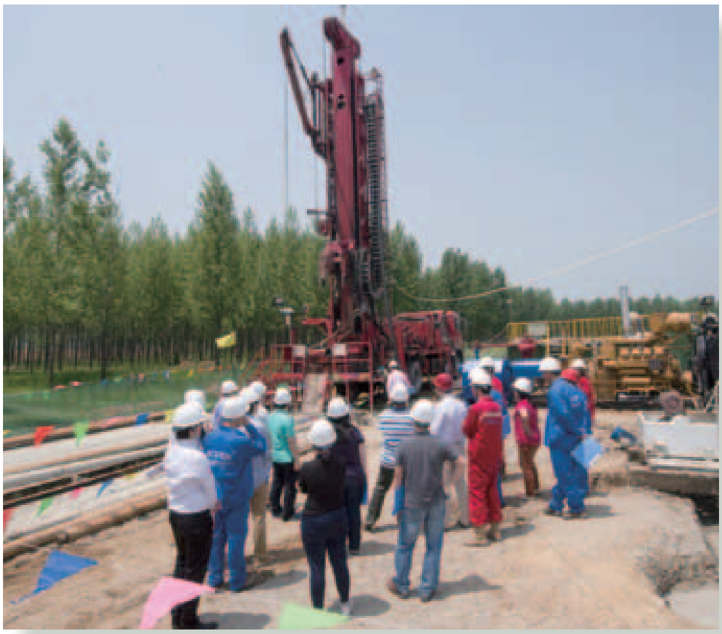
CBM is a kind of quality, clean and efficient natural gas existing in coal mines. With the development and utilisation plan of CBM become crystallised, it has not only brought positive effect on the prevention of coal mine accidents and reduce air pollution, but also helped to alleviate the problem of energy shortage and secured the provision of clean energy.



The Group, through its wholly-owned subsidiary, Canada Can-Elite Energy Limited ("**Can-Elite**") explores, develops and produces CBM in Anhui Province. Pursuant to the Production Sharing Contract (the "**PSC**") entered into between Can-Elite and China United Coalbed Methane Corporation Limited ("**China United**"), a state-owned company specialised in CBM business established with the approval from the State Council of the People's Republic of China, in which China National Offshore Oil Corporation holds 70% of its equity interest, Can-Elite can exploit the coalbed methane resources in a total exploration area of approximately 356.802 square kilometers, which was subsequently expanded to 567.843 square kilometers, located in Su'nan area, Anhui Province (the "**Contract Area**"; Su'nan Block and Luling Block) in the People's Republic of China (the "**PRC**"), for a term of 30 years with effect from 1 April 2008. The profit sharing ratio between Can-Elite and China United is 70:30.

CHAIRMAN'S STATEMENT

During the year, the reserve evaluation report (the "**Reserve Evaluation Report**") prepared in respect of the reserves located in Luling Block, being part of the Contract Area, had been approved by the Office for Oil and Gas Profession under the Mineral Resources and Reserves Assessment Centre of the Ministry of Land and Resources of the PRC and was duly filed with the Ministry of Land and Resources of the PRC on 4 June 2014 after the compliance review. The completion of the approval and filing procedure signified the risk assessment stage of Luling Block in the Contract Area has come to an end, and will proceed into the design and development stage.



Subsequent to the completion of the research and preparation works like drilling of trial exploration wells, formulating development plan and design, as well as the preparation for seeking approval, Can-Elite and China United will file an application for approval with the National Development and Reform Commission of the PRC for the commencement of full production in Luling Block. Can-Elite has been negotiating with relevant parties since 2013 to prepare for the exploration of Luling Block, such as formulating development plan required, preparing feasibility report and construction design. Besides, Can-Elite has also communicated with various target customers and initially formed collaboration. It has also picked locations for experimental wells' development in Luling Block and arranged preliminary work.

During the year, as an effort to step up the exploration in Su'nan Block, the Group deployed nine more exploration wells; all of which have been drilled, and six of them have finished fracturing operation and are ready for drainage and collection. In addition, eight seismic lines with a total length of 82 kilometers have been deployed across an area of 110 square kilometers deep down in Su'nan Block to collect geological information for further exploration. The Group has achieved its exploration targets at this stage and laid a better foundation for proving new reserves in Su'nan Block and performing the thirty-year PSC.

CHAIRMAN'S STATEMENT

In mid of May 2014, the Board and senior management of the Group went to the Contract Area for site visits to the area pending for development at Luling Block, the exploration area at Su'nan Block, and investigated the market conditions of natural gas stations nearby. Seminar with China United and local government officials was held to exchange ideas, systematically concluded the experiences gained from previous works, and set clearer direction for future works.

As at the end of the year, the Group drilled a total of 27 exploration wells, 7 of which have commenced production.

Under the exploration stage, the CBM business contributed about HK$2,570,000 of the revenue in this year (2013: HK$3,552,000). A loss of HK$212,317,000 was recorded mainly resulting from the amortisation of PSC of HK$107,154,000 (2013: HK$117,824,000).

Electronic Components Business

The Group witnessed the continuous growth of this business once it diversified the range of products for its electronic components business by running computer products distribution. In 2014, this business generated remarkable revenue with amount of HK$127,918,000 (2013: HK$90,773,000), representing 87.60% of the total revenue of the Group. This business continues to generate stable revenue for the Group. The Group will continue to review the range of products in order to generate higher return.

Treasury Business

The treasury business includes securities trading and money lending businesses.

As at 31 December 2014, the Group held an investment portfolio of Hong Kong listed securities with market value of approximately HK$38,592,000. The Group adopts a prudent approach for all its investments with the view for short to medium term profit. In light of the volatile stock market, the management reduces the investments in securities and performs regular review on the investment portfolio during the year in order to minimise the business risk. For the year ended 31 December 2014, a profit of HK$15,393,000 (2013: HK$3,023,000) is recorded mainly due to the gain on disposal and fair value changes of the financial assets through profit or loss.

CHAIRMAN'S STATEMENT

The Group carries its money lending business by providing both corporate and personal loans that were secured or unsecured. Strict internal policy for granting and on-going review of the loan is established so as to ensure the business risk is manageable. Moreover, to meet the statutory requirements and to cope with the complexity of business environment, regular review of internal policy is performed. Due to the reallocation of funds of the Group, the amount of fund distributed to the money lending business further decreased. As a result, for the year ended 31 December 2014, revenue generated from this segment (i.e. interest income) dropped significantly to HK$140,000 from HK$509,000 in 2013.

PROSPECTS

Amongst all kinds of energy, natural gas is gaining popularity in the global market. In the future, demand for natural gas will be growing in the PRC, the tight supply and demand of natural gas will persist. Given all sources of natural gas in the PRC, the industrialisation of CBM is worth for expectation. It is a resource with bright potential and exploration and development prospects and is regarded as an important and reliable source of natural gas supply. A number of institutions expect the year of 2014 is the "beginning of investment" for the PRC's CBM industry, posing an unprecedented opportunity for the development of CBM.

The Central People's Government of the PRC is paying ever-more attention to the development and utilisation of CBM. In the PRC's "*Report on the Work of the Government*" for 2015, Premier Li Keqiang reiterated the need to vigorously develop shale gas and CBM. Government at all levels take supporting and encouraging measures in respect of policy planning, pricing and preferential tax treatment, ancillary facilities, etc. In order to resolve and control environmental pollution, especially the continued severe smog problem, the State Council of the PRC issued the "*Air Pollution Prevention and Control Action Plan*" stating clear policies and measures to strongly promote the use of clean energy, including natural gas, and to accelerate the implementation of "replacing coal by natural gas" project. The National Development and Reform Commission of the PRC and the National Energy Administration of the PRC formulate the "*12th Five-Year Plan on Natural Gas Development*". According to the "*CBM Exploration and Development Action Plan*" recently issued by the National Energy Administration of the PRC, by 2020: (i) the proven geological reserve of CBM in the PRC will be increased by one trillion cubic meters; (ii) the drainage and collection capacity for CBM (coal gas) will reach 40 billion cubic meters, with almost full utilisation of 20 billion cubic meters from above-ground reserve and an utilisation rate of over 60% for 20 billion cubic meters from coal gas drainage; and (iii) three to four industry bases for CBM industry will be constructed, and in key coal mining areas, coal mining and gas production will be conducted simultaneously. It is expected that in the next 3-5 years or even a longer period, the increase in demand for natural gas will accelerate especially in Eastern PRC and coastal region that are covered by the Contract Area. The demand for natural gas is the most prominent and features with strong pricing advantages.

For the above reason, the reasonable development and utilisation over the Contract Area can satisfy the increasing market demand for natural gas in the PRC, and at the same time bring a higher return to the Group.

In the next year, the Group will continue accelerating the CBM projects with China United and strive to make breakthrough in key areas.

In respect of the exploration in Su'nan Block, focus will be put on the drilling of the additional proven reserves in certain areas, as well as to investigate the overall geological conditions and potential resources. To this end, fracturing treatment of nine wells will be completed and CBM drainage and collection will be started. Meanwhile, the Group will prepare reserve reports as required and complete one to five parameter wells and production wells for reserve evaluation by 2015 in an attempt to extend its proven reserves coverage to an area of 30 square kilometers. After reviewing the first round of drilling, exploration and gas production, and considering the results of seismic exploration deep under Su'nan Block, the Group will decide on a new round of exploration well deployment with specific locations and designated quantities. The effective coal area within Su'nan Block will be larger than 200 square kilometers, representing more than nine times of the areas with proven reserves in Luling Block (23 square kilometers). As Su'nan Block is adjacent to Luling Block, the geological conditions are similar. The information gathered from drilling work has shown that the potential of natural gas resource in Su'nan Block is huge and worth expecting.

In respect of the development of Luling Block, reserves evaluation will be completed in accordance with international standards for the sake of providing technical support for the preparation of development plan. As per the request from China United, new drilling methods will be tested prior to the preparation and submission of the development plan. The said tests will be conducted when transforming the existing drilling wells and preproduction trial with a daily output of 10,000 cubic meters will be started too.

The Group will continue to fulfill its duties regarding all maintenance, repair, drainage, collection and safety functions for existing exploration wells within the area and will also deliver well repair, washing-off of coal power, pump block and pump rod maintenance.

In the coming years, the Group will continue to fulfill the duties as stipulated in the contract entered into with China United, and to transform exploration to commercial development and production in a well-organised manner so as to meet the profit target quickly.

Meanwhile, Can-Elite and Shenzhen Clouds Energy Technology Limited, another wholly-owned subsidiary of the Group, will further strengthen the scientific and technological innovation and the building of elite team to generate technological advantages in the industry.

At the same time, the Group will closely monitor the development of its treasury business and electronic components business for a reasonable application of the Group's resources to benefit the Group and its shareholders.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our shareholders for their support over the past year and to our staff for their contributions and diligence.

Albert Saychuan Cheok
Chairman
Hong Kong, 25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the year was HK$146,021,000 (2013: HK$97,857,000), representing a substantial increase of 49.22%. Such increase of revenue was mainly due to the remarkable increase of contribution from the electronic components business where the Group diversified the range of products distributed since early 2013. The revenue generated from the sale of electronic components increased by 40.92%, from HK$90,773,000 in 2013 to HK$127,918,000 in 2014, representing 87.60% of the Group's revenue. The Coalbed Methane ("**CBM**") exploration and exploitation operating subsidiary ("**CBM Operating Subsidiary**") and treasury segment contributed HK$2,570,000 (2013: HK$3,552,000) and HK$15,533,000 (2013: HK$3,532,000) to the Group in 2014, representing 1.76% and 10.64% of the Group's revenue respectively. The Group's gross profit was doubled, from HK$9,270,000 in 2013 to HK$19,707,000 in 2014.

The Group's loss for the year was HK$197,100,000 (2013: HK$353,786,000). Substantial part of the Group's performance was mainly due to the accounting treatments of various items, such as fair value loss on convertible notes' embedded derivatives amounted to HK$8,929,000 (2013: gain of HK$56,547,000), imputed interest on convertible notes amounted to HK$85,158,000 (2013: HK$71,077,000), imputed interest on bonds amounted to HK$265,000 (2013: Nil), amortisation of PSC in respect of CBM amounted to HK$107,154,000 (2013: HK$117,824,000), net gain on revaluation of financial assets at fair value through profit or loss amounted to HK$10,907,000 (2013: HK$2,610,000), and the deferred tax credit amounted to HK$26,788,000 (2013: HK$100,324,000). The aggregate net result of the abovementioned accounting loss for 2014 is HK$163,811,000 (2013: HK$320,219,000). The accounting profit and loss mentioned above did not have actual impact on the cashflow position of the Group.

For comparison purpose, the loss after tax for 2014 and 2013, if excluding those accounting profit and loss, was HK$33,289,000 and HK$33,567,000 respectively.

The Group recorded a loss attributable to owners of the Company of approximately HK$196,428,000 (2013: HK$353,176,000), and basic and diluted loss per share was approximately HK5.00 cents (2013: HK10.10 cents). The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had current assets of HK$249,027,000 (2013: HK$177,105,000) and current liabilities of HK$823,589,000 (2013: HK$56,127,000). The Group's current ratio, being a ratio of current assets to current liabilities, was approximately 30.24% (2013: 315.54%). The deterioration of current ratio was mainly due to the convertible notes with principal amount of HK$677,000,000 falling due on 31 December 2015 as at 31 December 2014.

The cash and bank balances of HK$109,932,000, represent 44.14% of the current assets (2013: 23.86%), were increased by 160.13% as compared with the amount HK$42,260,000 as at 31 December 2013. The Board believes that such an improvement has strengthened the Group's liquidity and financial resources.

The Group's gearing ratio, being a ratio of net debt to total capital, was approximately 35.64% (2014: 30.39%). Net debt is calculated as total borrowings, as shown in the consolidated statement of financial position less cash and bank balances. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

During the year up to 23 June 2014, being the date of expiry of the bonus warrants under the rights issue issued on 24 June 2013, 389,645,561 units of bonus warrants were exercised. 389,645,561 new ordinary shares each were issued upon the exercise of that 389,645,561 units of bonus warrants at an exercise price of HK$0.10. Net proceeds of approximately HK$38,965,000 were raised for the general working capital of the Group.

On 27 November 2014, a total of 542,543,940 new bonus warrants were issued by the Company on the basis of two warrants for every fifteen shares held on 19 November 2014, being the record date for ascertaining the entitlements of shareholders to the bonus warrant issue. The holders of these new bonus warrants are entitled to subscribe in cash for 542,543,940 new ordinary shares at an initial subscription price of HK$0.35 per share at any time during the period commencing from 27 November 2014 to 26 November 2015 (both dates inclusive). If all warrants are exercised, net proceeds of approximately HK$189,890,000 will be raised. The net proceeds will be applied towards general working capital of the Group, repayment of part of the convertible notes and potential investments to be identified. For the year ended 31 December 2014, 338,437 new ordinary shares were issued upon the exercise of 338,437 units of the new bonus warrants. Net proceeds of approximately HK$118,000 were raised upon the exercise of the new bonus warrants.

During the year ended 31 December 2014, the Company issued (i) three-year bonds with an aggregate principal amount of HK$87,000,000 with interest rate of 6% per annum and (ii) five-year bonds with an aggregate principal amount of HK$1,000,000 with interest rate of 7% per annum. The net proceeds are intended to be used for the development of coalbed methane business carried out in the Contract Area; and/or repayment of the whole or part of the convertible notes issued by the Company; and/or the general working capital of the Group as well as future business development.

The Group will constantly review its financial resources and consider various plans to enhance its financial capabilities. The Group believes that to broaden its shareholders base would provide a solid ground for the Group to grow.

COMMITMENTS

Details of the commitments of the Group are set out in note 34.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group mainly operated in Hong Kong and the PRC with most of the transactions settled in Hong Kong dollars, Renminbi and United States dollars; the existing currency peg of Hong Kong dollars with United States dollars will likely to continue in the near future, the exposure to foreign exchange fluctuation is minimal.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENCIES

Save as disclosed in note 35, the Group had no other contingencies as at 31 December 2014.

LITIGATION

The Group had on various dates since January 2011 placed an aggregate amount of HK$85,000,000 (the "**Escrow Sum**") with a solicitor firm in Hong Kong, namely, K & L Gates, as an escrow agent (the "**Escrow Agent**"), of which HK$35,000,000 was intended to be used as earnest moneys to facilitate negotiation with a potential seller of a project for future investments, and under the money lending business of a subsidiary of the Company, a sum of HK$25,000,000 was advanced to a borrower as a loan which was agreed to be held in escrow by the Escrow Agent in January and a further sum of HK$25,000,000 was also advanced to a borrower as a loan in April held in escrow by the Escrow Agent.

As the entire Escrow Sum had fallen due and became payable to the Group on 24 June 2011, despite the Group's repeated requests to K & L Gates for the release of the Escrow Sum, the Group had not received the Escrow Sum. In early July of 2011, the Group, through its solicitors, took out three separate writs of summons against K & L Gates, claiming for, among other things, the return of the aforementioned three sums which amounted to the Escrow Sum, plus interest and cost. The Group had filed statements of claims and will pursue the cases vigorously.

The Directors are of the opinion, based on the legal advice sought, that the Escrow Sum can be recovered in full.

Save as disclosed above, so far as known to the Directors, there was no other litigation, arbitration or claim of material importance in which the Group is engaged or pending or which was threatened against the Group.

CHARGE ON ASSETS

The short-term bank deposits, amounted to HK$180,000, have been pledged as securities for banking facilities granted to the Group as at 31 December 2014.

RIGHTS ISSUE WITH BONUS WARRANTS IN 2013

In June 2013, the Company allotted 331,923,660 new ordinary shares of HK$0.02 each on the basis of one rights share for every ten shares at a subscription price of HK$0.13 per rights share with bonus warrants on the basis of two bonus warrants for every one rights share taken up under a rights issue ("**Rights Issue**"). Net proceeds of approximately HK$40,400,000 were primarily used for the repayment of convertible notes and as the general working capital of the Group.

A total of 663,847,320 bonus warrants were issued by the Company on the basis of two bonus warrants for every fully paid rights share issued under the Rights Issue. The holders of these bonus warrants are entitled to subscribe in cash for 663,847,320 new ordinary shares at an initial exercise price of HK$0.10 per share at anytime during the period commencing from 24 June 2013 to 23 June 2014 (both dates inclusive).

During the year, net proceeds of approximately HK$38,965,000 were raised for the general working capital of the Group. According to the terms of the bonus warrants, on 23 June 2014, the subscription rights attached to the bonus warrants were expired and ceased to be valid for any purpose thereon.

BONUS WARRANTS IN 2014

On 27 November 2014, the Company issued a total of 542,543,940 new bonus warrants on the basis of two warrants for every fifteen shares of the Company held by the shareholders on 19 November 2014. The holders of these new bonus warrants are entitled to subscribe in cash at any time during the period commencing from 27 November 2014 to 26 November 2015 (both dates inclusive) for 542,543,940 new ordinary shares at an initial subscription price of HK$0.35 per share (subject to adjustment). As at 31 December 2014, 542,205,503 units of the new bonus warrants remained outstanding.

Subsequent to 31 December 2014 and up to approval date for these financial statements, 28,530 new ordinary shares were issued upon the exercise of 28,530 units of the new bonus warrants and net proceeds of approximately of HK$10,000 were raised for the general working capital of the Group.

RESTRUCTURING OF CONVERTIBLE NOTES DUE 2015 AND ISSUE OF NEW CONVERTIBLE NOTES DUE 2018

On 5 February 2015, the Company entered into the convertible notes restructuring agreement with New Alexander Limited (the "**Noteholder**"), pursuant to which the Noteholder agreed to a consensual restructuring of its rights and obligations under the existing convertible notes due 31 December 2015 (the "**Convertible Notes Restructuring Agreement**"). Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 12 March 2015, the special mandate for the issue of the new convertible notes with principal value of HK$637,000,000 and bearing interest at 2% per annum due 2018 upon completion of the Convertible Notes Restructuring Agreement and issue and allot of the conversion shares was approved. All the conditions precedent under the Convertible Notes Restructuring Agreement were fulfilled and the completion took place on 20 March 2015.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 37, the Group had no other material event after the reporting period.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had 69 employees, of which 22 were in Hong Kong and 47 were in PRC. Employee remuneration policy of the Group is reviewed periodically and is determined based on performance of the Group and employees' responsibilities, qualifications and performances. Remuneration packages comprised basic salary, discretionary bonus, medical schemes, share options, mandatory provident fund schemes for Hong Kong employees and the state-managed employee pension schemes for employees in PRC.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2014.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Cheng Wai Keung, aged 49, was appointed as an executive director of the Company in November 2010. He obtained a bachelor's degree in business administration from Hong Kong Baptist University in the early 1990's. Mr. Cheng has over 20 years of experience in Hong Kong financial market. He has extensive experience in investment and securities dealing and held senior positions in sales and marketing of various financial institutions in Hong Kong. Mr. Cheng has been appointed as the public relations manager of the Company since May 2010. He is currently an executive director of Grand Peace Group Holdings Limited (formerly known as FAVA International Holdings Limited), the securities of which are listed on the GEM Board of The Stock Exchange of Hong Kong Limited.

Tam Tak Wah, aged 49, was appointed as an executive director and the corporate development director of the Company in September 2009. Mr. Tam is also the authorised representative of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. He is appointed to membership of Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. Mr. Tam has over 25 years of experience in accounting, corporate finance and corporate development. He is currently an independent non-executive director of Tech Pro Technology Development Limited and China For You Group Company Limited and is a non-executive director of Kingbo Strike Limited, all of these companies are listed on the main board of The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of Siberian Mining Group Company Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited during the period from 11 June 2007 to 18 February 2014 and Goldenway, Inc, a company the common stock of which were traded in the OTCQB of the United States during the period from 30 September 2011 to 16 August 2013.

Tsang Ching Man, aged 34, was appointed as an executive director of the Company in August 2009. She is also the company secretary, the authorised representative and the chief financial officer of the Company. Ms. Tsang obtained a Bachelor of Business Administration (Hons) degree in Accountancy from City University of Hong Kong in 2004. She is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Tsang started her career in July 2004 mainly involved in audit assignment in audit firms.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Tsz Kit, aged 38, was appointed as an independent non-executive director of the Company in September 2009. He is also the chairman and a member of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company. Mr. Chan is a Certified Public Accountant in Hong Kong. He has over 10 years of working experience in public accounting and over 5 years of experience in providing professional services to listed companies in the United States. Mr. Chan was a partner in a CPA firm, Albert Wong & Co., from 2007 to 2010. He is currently the chief financial officer of a company listed on the NASDAQ Exchange in the United States.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Chan Yim Por Bonnie, aged 48, was appointed as an independent non-executive director of the Company in July 2011. He is also the chairman and a member of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Chan is a solicitor and notary public (practicing) in Hong Kong who was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1992. He is currently a member of The Law Society of Hong Kong as well as the Hong Kong Society of Notaries. Mr. Chan obtained a Bachelor's Degree of Laws in 1988 and a Master's Degree of Laws in 1993 and has been practicing as a solicitor in the commercial field in Hong Kong since 1991. He established his own firm, Messrs. Yeung & Chan, Solicitors in 1996 and is now a senior partner of the firm. He has been a part time lecturer and tutor of the Postgraduate Certificate in Laws in The University of Hong Kong since 2002 and was admitted as an adjunct lecturer of the HKU School of Professional and Continuing Education in 2009.

Albert Saychuan Cheok, aged 64, was appointed as chairman and independent non-executive director of the Company in July 2013. He is also the chairman and a member of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Company. Mr. Cheok graduated from the University of Adelaide, Australia, with a First Class Honours degree in Economics. He is a Fellow of the Australian Society of Certified Public Accountants and is a banker with over 40 years of experience in banking in the Asia-Pacific region, particularly in Australia, Hong Kong and Malaysia. He was the chairman of Bangkok Bank Berhad in Malaysia for the period from September 1995 to November 2005 and is currently a Vice Governor on the Board of Governors of the Malaysian Institute of Corporate Governance in Malaysia.

Mr. Cheok is currently the chairman and independent non-executive director of AcrossAsia Limited and an independent non-executive director of Hongkong Chinese Limited, both of which are listed on The Stock Exchange of Hong Kong Limited. He is the independent non-executive chairman of Auric Pacific Group Limited and Amplefield Limited, both of which are listed on Singapore Exchange Securities Trading Limited ("**SGX**"). He is also the independent non-executive chairman of Bowsprit Capital Corporation Limited, the manager of First Real Estate Investment Trust which is a healthcare real estate investment trust listed on the SGX and LMIRT Management Limited, the manager of Lippo Malls Indonesia Retail Trust which is a real estate investment trust listed on the SGX. Mr. Cheok is an independent non-executive director of Metal Reclamation Berhad, a public listed company in Malaysia. He is also an independent non-executive director of Adavale Resources Limited, a coal exploration company listed on the Australian Securities Exchange. Mr. Cheok was formerly the independent non-executive chairman of Creative Master Bermuda Limited, which was listed on the SGX, from May to September 2011 and formerly the vice chairman of Export and Industry Bank, Inc., which is listed on The Philippine Stock Exchange, from February 2006 to April 2012. Mr. Cheok was formerly the Deputy Commissioner of Banking of Hong Kong and an executive director in charge of Banking Supervision at the Hong Kong Monetary Authority.

Wang Li, aged 32, was appointed as an independent non-executive director of the Company in September 2009. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Wang obtained a Bachelor of Economics degree from Peking University in 2005 and a Master in Finance degree from the University of St. Andrews, United Kingdom in 2008. He was a research assistant of Skyone Securities Company Limited, a trust manager of Citic Trust Company Limited and a senior manager of Hongyuan Huizhi Investment Company Limited. Mr. Wang is currently a manager of China Resources SZITIC Trust Company Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Lyu Guoping, aged 50, joined the Group as a project consultant in January 2011 and was appointed as chief executive officer of the Company in addition to his current position in July 2013. He currently also serves as a director and a legal representative of 廣東碩華投資有限公司 and a supervisor of 深圳白雲能源技術有限公司, both companies are subsidiaries of the Group in the People's Republic of China (the "**PRC**"). Mr. Lyu graduated from the Wuhan Institute of Geology (currently known as China University of Geosciences (Wuhan)) with a bachelor's degree in geology in 1983 and from the Nankai University with a doctor's degree in economics in 1996. He has over 25 years of experience in geology and mineral exploration, gems and jewelry, journalism and natural resources management in both private and public sectors in the PRC. Prior to joining the Group in January 2011, Mr. Lyu was the deputy general manager of China Resources Coal Holdings Company Limited and has extensive experience in administration, law and policy, corporate management, asset acquisition and energy exploration.

Du Ming, aged 70, has been working in the oil and natural gas industry for more than 45 years. Currently, he is the chief technical officer of the Group. Prior to this, Mr. Du worked at well known oil and gas organisations including China United Coalbed Methane Corporation Limited, China National Petroleum Corporation and Sinopec Shengli Oilfield and took on important technological roles in these companies.

Liu Shaobin, aged 71, is an expert in the oilfield science area. With over 45 years of industry experience, Mr. Liu is equipped with enormous knowledge and experience in oil exploration and exploitation techniques. Currently, he is the technical consultant of Canada Can-Elite Energy Limited, a wholly-owned subsidiary of the Group, director of Good Hope Energy Group Limited, vice-chairman of China Petroleum Education Society and honorary director of China Petroleum Enterprise Association. Mr. Liu has taught on the subjects of petroleum and natural gas at China University of Petroleum in Beijing, CNPC Managers Training Institute, Huabei Oilfield Production Technology Research Institute, Huabei Oilfield Finance School and Huabei Oilfield Mechanic School.

Wang Wengang, aged 45, has nearly 20 years of experience in project management and operation. Currently, he is the President (PRC Region) of the Group. Prior to joining the Group, Mr. Wang worked as professional investment manager in Tomorrow Holding Limited Company, Topeak Group Investment Company and State Development & Investment Corporation.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "**Board**" or "**Director(s)**") of International Standard Resources Holdings Limited (the "**Company**") is pleased to present this Corporate Governance Report for the year ended 31 December 2014 (the "**Year**").

The Company recognises the importance of good corporate governance practices and believes that maintaining high standard of corporate governance practices is crucial to the development of the Company.

During the Year, the Company had complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with an exception of code provisions A.4.1 and A.6.7, details of which will be explained below.

In order to protect and enhance the benefits of the shareholders, the Board and its executive management will continue to monitor the governance policies to ensure that such policies meet the general rules and standards.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the directors' securities transactions on exactly the terms and required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Before the Group's interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. Having made specific enquiry to all the Directors, they confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Year.

BOARD OF DIRECTORS

The primary responsibilities of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Company and its subsidiaries (collectively the "**Group**"); to supervise the management of the business and affairs with the objective of enhancing the Company and its shareholders' value with the proper delegation of the power to the management for its day-to-day operation; to implement the Board's decision by implementing the budgets and strategic plans and developing the organisation of the Company.

The Board has reviewed, inter alia, the performance and formulated business strategy of the Group during the Year. Also, the Board has reviewed and approved the annual and interim results of the Group for the year ended 31 December 2013 and the six months ended 30 June 2014 respectively.

Board Composition

The Board reviews and approves corporate matters such as business strategies and investments as well as the general administration and management of the Group. The Board currently consists of three executive Directors and four independent non-executive Directors (“**INED(s)**”):

Executive Directors:
Mr. Cheng Wai Keung
Mr. Tam Tak Wah
Ms. Tsang Ching Man

Independent non-executive Directors:
Mr. Albert Saychuan Cheok *(Chairman)*
Mr. Chan Tsz Kit
Mr. Chan Yim Por Bonnie
Mr. Wang Li

The Directors as aforesaid, accompanied by their respective biographical details, are listed in the section of “Biographical Details of Directors and Senior Management” in this annual report and that the INEDs are expressly identified in all the Company’s publication such as announcement, circular or relevant corporate communications in which the names of Directors of the Company as disclosed.

Out of the four INEDs, Mr. Chan Tsz Kit possesses appropriate professional accounting qualifications and related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Each of the INEDs has made an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considered all INEDs are independent.

The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current Board size as adequate for its present operations. Each of the Directors keeps abreast of his/her responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company.

The Board has regularly reviewed the contribution required from the Directors to perform their responsibilities to the Company, and whether they are spending sufficient time performing them.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Policy**") which sets out the approach to achieve diversity on the Board.

The Company seeks to achieve board diversity through the consideration of a number of factors, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board composition under diversified perspectives and monitor the implementation of the Policy annually. As at the date of this annual report, the Board comprises seven Directors. One of them is a woman. Four of them are INEDs, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, nationality, professional background and skills.

Chairman and Chief Executive Officer

Under the code provision A.2.1, the roles of chairman and chief executive officer ("**CEO**") should be separate people and should not be performed by the same individual. The divisions of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The chairman, Mr. Albert Saychuan Cheok who is an INED, has led the Board and ensured that the Board works effectively and that decisions of the Board are taken on a sound and well-informed basis and in the best interest of the Company and all important issues are discussed in a timely manner, while the CEO, Mr. Lyu Guoping, implement major strategies and policies of the Company. The positions of the chairman and the CEO of the Company are held by separate individuals so as to ensure an effective segregation of duties and a balance of power and authority.

Non-executive Directors (Deviation from Code Provision A.4.1)

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. None of the existing INEDs of the Company is appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, more than one-third of the Directors (including executive and non-executive) are subject to retirement by rotation at each annual general meeting ("**AGM**") under the Company's Articles of Association (the "**Articles**"). As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

CORPORATE GOVERNANCE REPORT

Appointments, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles. The Board as a whole is responsible for reviewing the Board composition, monitoring the appointment of Directors and assessing the independence of INEDs.

Under the code provision A.4.2 and in accordance with the Articles, Directors are subject to retirement by rotation at least once the every three years and any new Directors appointed to fill a casual vacancy or as an addition to the Board should be subject to election by shareholders at the next AGM after their appointment.

Attendance of non-executive Directors at General Meetings (Deviation from Code Provision A.6.7)

Under the code provision A.6.7, INEDs and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Due to personal and/or other overseas commitment, Mr. Wang Li, an INED, did not attend the AGM held on 4 June 2014 and the two extraordinary general meetings ("**EGM(s)**") held on 11 November 2014, which constitutes a deviation from the code provision A.6.7 during the Year. However, at the respective general meetings of the Company, there were executive Directors and INEDs present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

Board Meetings

The attendance record of each Director at Board meetings and general meetings is set out below:

	Attendance/Number of		
Name of Directors	**Board Meetings**	**Extraordinary General Meetings**	**Annual General Meeting**
Mr. Cheng Wai Keung	50/52	2/2	1/1
Mr. Tam Tak Wah	51/52	2/2	1/1
Ms. Tsang Ching Man	52/52	2/2	1/1
Mr. Chan Tsz Kit	20/20	2/2	1/1
Mr. Chan Yim Por Bonnie	20/20	2/2	1/1
Mr. Albert Saychuan Cheok	20/20	2/2	1/1
Mr. Wang Li	14/20	0/2	0/1

Practices and Conduct of Meetings

The Board conducts meeting on a regular basis at approximately quarterly intervals and on an ad hoc basis, as required by business needs. The Articles allow Board meetings to be conducted by way of telephone or otherwise orally and any resolutions to be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary unless any matters in which a substantial shareholder or a Director has a conflict of interest.

The chairman promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive and non-executive Directors. During the Year, the chairman held a meeting with the non-executive Directors (INEDs) without the presence of executive Directors.

All Directors are given an opportunity to include matters in the agenda for regular board meetings.

During the Year, the Board minutes were kept by the Company Secretary and available for inspection by the Directors. Also, the Board minutes were recorded in sufficient detail of matters considered and the decisions reached and both draft and final versions of the minutes were sent to all Directors for their comments and execution respectively within a reasonable time after the Board meetings.

In the said Board meetings, notices of regular Board meetings were served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings so as to ensure that each of them had an opportunity to attend the meetings. Agendas and accompanying Board papers were given to all Directors in a timely manner before the appointed date of Board meetings and at least 3 days before the regular Board meetings. Sufficient information was also supplied by the management to the Board to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make decisions, which are made in the best interests of the Company.

Separate independent professional advice would be provided to the Directors, upon reasonable request, to assist them to discharge their duties. The Company has also arranged appropriate insurance cover in respect of legal action against its directors.

Directors' Continuous Training and Development Programme

All Directors are provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statues, laws, rules and regulations. Moreover, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, all Directors are provided with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements. Some Directors also attended seminars and/or conferences and/or talks organised by professional bodies on topics including corporate governance, Listing Rules updates, legal supervising or financial updates. A summary of training received by Directors during the year ended 31 December 2014 according to the records provided by the Directors is as follows:

Name of Directors	Types of Trainings
Mr. Cheng Wai Keung	B
Mr. Tam Tak Wah	A, B
Ms. Tsang Ching Man	A, B
Mr. Chan Tsz Kit	A, B
Mr. Chan Yim Por Bonnie	A, B
Mr. Albert Saychuan Cheok	A, B
Mr. Wang Li	B

A: Attending seminars and/or conferences and/or talks

B: Reading updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEE

The Board has established three committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which describes the authority and duties of the respective Board committees. The terms of reference are set out in the Company's website (www.intl-standardresources.com) and the website of the Stock Exchange (www.hkexnews.hk). All the members of the Board committees are INEDs. The current members of each Board committee are set out below:

Remuneration Committee

Mr. Chan Yim Por Bonnie *(Chairman)*
Mr. Chan Tsz Kit
Mr. Albert Saychuan Cheok
Mr. Wang Li

Nomination Committee

Mr. Albert Saychuan Cheok *(Chairman)*
Mr. Chan Tsz Kit
Mr. Chan Yim Por Bonnie
Mr. Wang Li

Audit Committee

Mr. Chan Tsz Kit *(Chairman)*
Mr. Chan Yim Por Bonnie
Mr. Albert Saychuan Cheok
Mr. Wang Li

Remuneration Committee

The Remuneration Committee was established for the purposes of determining specific remuneration packages of all executive Directors and senior management; and reviewing and approving their performance-based remuneration and their compensation on termination.

The Remuneration Committee is responsible for reviewing the remuneration policy and structure of the Company and the remuneration packages of all Directors and the senior management with reference to the Board's corporate goals and objectives.

The Remuneration Committee consults the chairman/CEO about their proposal relating to the remuneration of executive Directors to ensure no Directors and senior management can determine his/her own remuneration.

The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

Independent professional advice would be provided to the Remuneration Committee, upon reasonable request, if necessary.

The Remuneration Committee held a meeting during the Year. The attendance record is set out below:

Name of Directors	Attendance/Number of Remuneration Committee Meeting
Mr. Chan Yim Por Bonnie *(Chairman)*	1/1
Mr. Chan Tsz Kit	1/1
Mr. Albert Saychuan Cheok	1/1
Mr. Wang Li	0/1

The Remuneration Committee had performed the following work during the Year:

(i) reviewed the remuneration policy and structure of the Company and the remuneration packages of all Directors and the senior management with reference to the corporate goals and objectives of the Board;
(ii) reviewed the compliance with terms of reference for the Remuneration Committee of the Company; and
(iii) reviewed the compliance with the Stock Exchange and other legal requirements.

The minutes of the Remuneration Committee meetings were kept by the Company Secretary and available for inspection by the committee members. Also, the minutes were recorded in sufficient detail of matters and the decisions reached and both the draft and final versions of the minutes were sent to all committee members for their comments and execution respectively within a reasonable time after the Remuneration Committee meetings.

Nomination Committee

The Nomination Committee was established for the purposes of reviewing the composition of the Board, identifying suitable Board members, assessing independence of the INEDs and making recommendation on appointments and re-appointments.

The Nomination Committee is responsible for selection and approval of candidates for recommendation to the Board for appointment as Directors. In considering the nomination of a director of the Company, the Nomination Committee would take into account his/her qualifications, in particular any qualifications as required in the Listing Rules, ability, working experience, leadership and professional ethics. Nomination Committee would subsequently recommend such nomination to the Board for approval for appointment.

CORPORATE GOVERNANCE REPORT

The Nomination Committee is also responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

Independent professional advice would be provided to the Nomination Committee, upon reasonable request, to perform its responsibilities at the Company's expenses.

The Nomination Committee held a meeting during the Year. The attendance record is set out below:

Name of Directors	**Attendance/Number of Nomination Committee Meeting**
Mr. Albert Saychuan Cheok *(Chairman)*	1/1
Mr. Chan Tsz Kit	1/1
Mr. Chan Yim Por Bonnie	1/1
Mr. Wang Li	0/1

The Nomination Committee had performed the following work during the Year:

(i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;
(ii) reviewed the compliance with the terms of reference for the Nomination Committee of the Company; and
(iii) reviewed the compliance with the Stock Exchange and other legal requirements.

The minutes of Nomination Committee meetings were kept by the Company Secretary and available for inspection by the committee members. Also, the minutes were recorded in sufficient detail of matters and the decisions reached and both the draft and final versions of the minutes were sent to all committee members for their comments and execution respectively within a reasonable time after the Nomination Committee meetings.

Audit Committee

The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of audit of the Group.

No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The duties and responsibilities of the Audit Committee include:

- reviewing the appointment of auditor on an annual basis including a review of the audit scope and approval of the audit fees;
- ensuring continuing auditor objectivity and to safeguard the independence of the Company's auditor;
- meeting with the auditor to discuss issues arising from the interim review and final audit and any matters the auditor suggest to discuss;
- reviewing the effectiveness of the external audit and of internal controls and risk evaluation;
- reviewing the annual and interim report prior to the approval by the Board in accordance with the accounting policies and practices and relevant accounting standards, the Listing Rules and the relevant legal requirements; and
- serving as a focal point for communication between other Directors and the auditor in respect of the duties relating to financial and other reportings.

The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

The Audit Committee held three meetings during the Year. The attendance record is set out below:

Name of Directors	**Attendance/Number of Audit Committee Meetings**
Mr. Chan Tsz Kit *(Chairman)*	3/3
Mr. Chan Yim Por Bonnie	3/3
Mr. Albert Saychuan Cheok	3/3
Mr. Wang Li	1/3

The Audit Committee had performed the following work during the Year:

(i) held meetings with the auditor to discuss issues arising from interim review and final audit;
(ii) reviewed annual and interim reports respectively before submission to the Board;
(iii) discussed all significant accounting issues as stated in the annual and interim reports, such as any changes in accounting policies and practices, major judgmental areas, significant adjustments, the going concern assumption, compliance with accounting standards, the Stock Exchange and other relevant legal requirements;
(iv) determined the suitability of HLM CPA Limited as the Company's auditor to fill in the vacancy by the resignation of Crowe Horwath (HK) CPA Limited for audit and non-audit related services and their fees; and
(v) reviewed the effectiveness of external audit and internal controls.

The minutes of Audit Committee meetings were kept by the Company Secretary and available for inspection by the committee members. Also, the minutes were recorded in sufficient detail of matters and the decisions reached and both the draft and final versions of the minutes were sent to all committee members for their comments and execution respectively within a reasonable time after the Audit Committee meetings.

The annual results of the Group for the Year have been reviewed by the Audit Committee.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities for preparing the consolidated financial statements which give a true and fair view for the year ended 31 December 2014. The auditor of the Company acknowledges their reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2014. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

AUDITORS' REMUNERATION

During the Year, the fees paid to the auditors of the Company are HK$500,000 for the audit service and HK$125,000 for the non-audit services.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under the code provision D.3.1 of the CG Code:

(a) to develop and review the Company's policies and practices on corporate governance;
(b) to review and monitor the training and continuous professional development of Directors and senior management;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company. She is also the executive Director, the authorised representative and the chief financial officer of the Company. The Company Secretary has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the chairman and is responsible for advising the Board on governance matters. For the Year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training. The biographical details of the Company Secretary are set out on page 14 of the annual report.

SHAREHOLDERS' RIGHTS

Convening EGM and Putting Forward Proposals at Shareholders' Meetings

In accordance with Sections 566, 567 and 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Ordinance**"), shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can send a written request to convene an EGM in hard copy form (by depositing at the registered office of the Company at Unit E, 29/F., Tower B, Billion Centre, No. 1 Wang Kwong Road, Kowloon for the attention of the Board) or in electronic form (by email: info@isrhl.com). Such requisition, signed by the shareholders concerned, must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM on a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months after the date on which the Directors become subject to the requirement to call a meeting.

To put forward proposals at the shareholders' meeting, shareholders are requested to follow Sections 580 and 615 of the Ordinance, which a request in writing must be made by:

(a) shareholders holding at least 2.5% of the total voting rights of all shareholders having the right to vote at the shareholder's meeting; or

(b) at least 50 shareholders holding shares of the Company having the right to vote at the meeting,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an AGM, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Board not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement.

If a shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his/her intention to propose that person for election as a Director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the despatch of the notice of the general meeting and ending no later than seven days prior to the date of such general meeting.

Detailed procedures can be found in the following documents which are available on the Company's website:

- "Shareholders Communication Policy"
- "Procedures for Shareholders to propose a person for election as a Director"

Enquiries to the Board

The Shareholders may direct their questions about their shareholdings to the share registrar of the Company, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. They may also at any time make a request for the Company's information to the extent such information is publicly available and make enquiries to the Company with the contact details provided by post, telephone, fax or email.

COMMUNICATION WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders and, in particular, use AGM or other general meetings to communicate with shareholders and encourage their participation.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

Details of poll voting procedures will be explained during the proceedings of meetings. The poll results will be posted on the websites of the Company and the Stock Exchange following the general meetings.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The chairman of the all committees or in the absence of the chairman of such committee, another member of the committee or failing this, his duly appointed delegate, is available to answer questions at the general meetings.

To promote effective communication, the Company maintains website at www.intl-standardresources.com, which contains corporation information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Company enables the Company's shareholders to have timely and updated information of the Company. Shareholders can refer to the "Shareholders Communication Policy" posted on the website of the Company for more detail.

CONSTITUTIONAL DOCUMENTS

During the Year, there is no change in the Company's constitutional documents.

The latest and consolidated version of the Articles of Association of the Company is available for inspection on the websites of the Company and the Stock Exchange.

INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the internal control systems of the Group, including financial, operational and compliance controls and risk management functions. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board and the management has implemented a comprehensive program to review and improve the existing internal control systems of the Group and has from time to time reported the significant findings and areas of improvement to the Audit Committee.

During the Year, the Board considers the key aspects of the internal control systems are sufficient and effective and is satisfied that there are adequate resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget.

On behalf of the Board
Albert Saychuan Cheok
Chairman

Hong Kong, 25 March 2015

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are set out in note 19 to the consolidated financial statements.

An analysis of the performance of the Group for the year by business and geographical segments is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit and loss on page 40.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in note 17 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 29 to the consolidated financial statements.

CONVERTIBLE NOTES

On 5 February 2015, the Company has entered into the convertible notes restructuring agreement with the noteholder, pursuant to which the noteholder has agreed to a consensual restructuring of its rights and obligations under the existing convertible notes due 31 December 2015 in the outstanding principal amount of HK$637,000,000 issued by the Company. The new convertible notes with principal value of HK$637,000,000 and bearing interest at 2% per annum due 31 December 2018 were issued to the noteholder on 20 March 2015.

Details of movements in the convertible notes are set out in note 26 to the consolidated financial statements.

EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the balance sheet date are set out in note 37 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report are:

Albert Saychuan Cheok* *(Chairman)*
Cheng Wai Keung
Tam Tak Wah
Tsang Ching Man
Chan Tsz Kit*
Chan Yim Por Bonnie*
Wang Li*

* *independent non-executive Directors*

In accordance with Articles 104 and 105 of the Articles of Association of the Company, Mr. Cheng Wai Keung, Mr. Chan Yim Por Bonnie and Mr. Wang Li will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

All the Directors do not have service contracts with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACT

There is no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2014, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Long positions in shares of the Company

Name of Director/Chief Executive	Nature of interest	Number of shares	Number of underlying shares	Percentage
Albert Saychuan Cheok	Beneficial	550,000	73,333	0.01%
Lyu Guoping	Beneficial	500,000	16,666	0.01%

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT FOR THE ACQUISITION OF SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, the interests and short positions of the substantial shareholders (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be kept in the register under section 336 of the SFO were as follows:

Name	Nature of interest	Number of shares	Number of underlying shares	Percentage
Che Weng Kei	Beneficial/Corporate	406,050,000	–	9.98%
Good Max Holdings Limited *(Note 1)*	Beneficial	526,405,000	–	12.94%
Leung Yuk Kit	Corporate	577,805,000	–	14.20%
New Alexander Limited *(Note 2)*	Beneficial	–	5,308,333,333	130.44%
Smart Dragon Global Limited *(Note 3)*	Beneficial/Corporate	712,973,750	333,333,333	25.71%

Notes: (1) Good Max Holdings Limited is 100% owned by Leung Yuk Kit.

(2) New Alexander Limited is interested in the convertible notes convertible into shares issued by the Company due in 2015 in an aggregate outstanding principal amount of HK$637,000,000 as at 31 December 2014.

(3) Smart Dragon Global Limited (currently known as Woode Investment Limited), through its wholly-owned subsidiary, Toprise Capital Limited, is interested in the convertible notes convertible into shares issued by the Company due in 2015 in an aggregate outstanding principal amount of HK$40,000,000 as at 31 December 2014. Woode Investment Limited is 100% owned by Woody Yeung.

Save as disclosed above, as at 31 December 2014, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any listed securities of the Company during the year.

SHARE OPTIONS

The share option scheme of the Company adopted on 29 December 2004 (the "**Old Share Option Scheme**") was terminated by the shareholders of the Company at the Company's extraordinary general meeting ("**EGM**") held on 11 November 2014 before its expiration on 28 December 2014. At the EGM held on 11 November 2014 (the "**Adoption Date**"), the shareholders have approved the adoption of a new share option scheme of the Company (the "**New Share Option Scheme**") in substantially similar terms as those of the Old Share Option Scheme. Under the terms of the New Share Option Scheme, the Directors may, at their discretion, offer any eligible participants (including any Directors) of the Company or of any of its subsidiaries options to subscribe for shares in the Company (the "**Options**") subject to the terms and conditions stipulated in the New Share Option Scheme. A summary of the New Share Option Scheme is set out below:

(1) Purpose

(a) To recognise and acknowledge the contributions which the eligible participants have made or may make to the Group.

(b) The New Share Option Scheme will provide the eligible participants an opportunity to have a personal stake in the Company with a view to achieve the following objectives:

(i) motivate the eligible participants to utilise their performance and efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

(2) Eligible participants

(a) any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or advisor of or contractor to the Group or any Invested Entity; and

(b) any discretionary trust who discretionary objects include any director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or advisor of or contractor to the Group or any Invested Entity;

and for the purpose of the New Share Option Scheme, the Options may be granted to any corporation wholly-owned by any person under (a) above.

(3) Total number of shares available for issue

The total number of shares which may be issued upon exercise of all the Options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue (or the shares of the Subsidiary) as at the Adoption Date, being 406,907,955 shares (the "**Scheme Mandate Limit**").

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes for the time being of the Company shall not, in aggregate, exceed such number of shares as equals 30% of the shares in issue from time to time.

(4) Maximum entitlement of each eligible participant

The total number of shares issued and to be issued upon exercise of the Options granted to an eligible participant (including exercised and outstanding options) in any twelve-month period must not exceed 1% of the shares in issue from time to time.

Subject to separate approval by the shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting provided that the Company shall issue a circular to shareholders before such approval is sought, the Company may grant a participant options which would exceed this limit.

(5) Option period

The period within which the shares must be taken up under the Options must not exceed ten years from the date of grant of the relevant option.

(6) Minimum period for which the Options must be held before it can vest

The minimum period, if any, for which the Options must be held before it can vest shall be determined by the Board in its absolute discretion. The New Share Option Scheme itself does not specify any minimum holding period.

(7) Payment on acceptance of the Options

HK$1.00 is payable by the grantee to the Company on acceptance of the Options offer. An offer must be accepted within 30 days from the date of grant.

(8) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion at the time of the grant but shall not be less than the highest of:

(i) the closing price of the shares on the date of grant; and

(ii) the average closing prices of the shares for the five business days immediately preceding the date of grant.

(9) The remaining life of the New Share Option Scheme

The life of the New Share Option Scheme is ten years commencing on the Adoption Date and will expire on 10 November 2024.

As at 31 December 2014, there was no outstanding share option granted to the eligible participants.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue during the year attributable to the Group's five largest customers was 83.88% of the Group's total revenue, of which 42.86% was made to the largest customer.

The aggregate purchase during the year attributable to the Group's five largest suppliers was 98.83% of the Group's total purchases, of which 53.30% was made from the largest supplier.

None of the Directors, their associates or any shareholder who to the knowledge of the Directors owns more than 5% of the Company's share capital has an interest in the suppliers or customers disclosed above.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considered all independent non-executive Directors to be independent.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the financial year except the deviations set out in the Corporate Governance Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITORS

The financial statements of the Company for the years ended 31 December 2012 and 31 December 2013 were audited by CCIF CPA Limited and Crowe Horwath (HK) CPA Limited respectively.

On 21 November 2014, Crowe Horwath (HK) CPA Limited resigned as the auditor of the Company, and HLM CPA Limited ("**HLM**") was appointed to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company.

HLM will retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLM as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Albert Saychuan Cheok
Chairman

Hong Kong, 25 March 2015

INDEPENDENT AUDITOR'S REPORT

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE SHAREHOLDERS OF INTERNATIONAL STANDARD RESOURCES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of International Standard Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 131, which comprise the consolidated and Company's statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HLM CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising Certificate Number: P05215
Hong Kong

25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	7	**146,021**	97,857
Cost of sales		**(126,314)**	(88,587)
Gross profit		**19,707**	9,270
Other income	8	**1,263**	1,735
Other gains and losses	9	**(8,592)**	53,437
Administrative expenses		**(42,986)**	(45,970)
Impairment loss on production sharing contract	18	**–**	(283,470)
Amortisation of production sharing contract	18	**(107,154)**	(117,824)
Loss from operations		**(137,762)**	(382,822)
Finance costs	10	**(85,423)**	(71,084)
Loss before tax	11	**(223,185)**	(453,906)
Income tax	14	**26,085**	100,120
Loss for the year		**(197,100)**	(353,786)
Attributable to:			
Owners of the Company		**(196,428)**	(353,176)
Non-controlling interests		**(672)**	(610)
		(197,100)	(353,786)
Loss per share	16		
Basic and diluted (cents per share)		**(5.00)**	(10.10)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 *HK$'000*	2013 *HK$'000*
Loss for the year	**(197,100)**	(353,786)
Other comprehensive (expenses) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(8,278)**	65,938
Reclassification of other capital reserve upon dissolution of an associate	**(1,805)**	–
Other comprehensive (expenses) income for the year, net of income tax	**(10,083)**	65,938
Total comprehensive expenses for the year	**(207,183)**	(287,848)
Attributable to:		
Owners of the Company	**(206,511)**	(287,238)
Non-controlling interests	**(672)**	(610)
	(207,183)	(287,848)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**69,994**	59,761
Intangible assets	18	**2,565,708**	2,684,180
Available-for-sale financial assets	20	**1,000**	1,000
		2,636,702	2,744,941
Current assets			
Financial assets at fair value through profit or loss	21	**38,592**	31,037
Loan receivables	22	**–**	4,059
Trade and other receivables	23	**100,503**	99,749
Cash and bank balances	24	**109,932**	42,260
		249,027	177,105
Current liabilities			
Other borrowing, unsecured	25	**14,431**	15,831
Convertible notes-liability portion, unsecured	26	**593,767**	–
Convertible notes-embedded derivatives, unsecured	26	**165,285**	–
Trade and other payables	27	**46,811**	38,243
Tax payable	14(c)	**3,295**	2,053
		823,589	56,127
Net current (liabilities) assets		**(574,562)**	120,978
Total assets less current liabilities		**2,062,140**	2,865,919

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Bonds	28	**79,289**	–
Convertible notes-liability portion, unsecured	26	**–**	528,975
Convertible notes-embedded derivatives, unsecured	26	**–**	156,356
Deferred tax liabilities	14(d)	**641,427**	671,045
		720,716	1,356,376
Net assets		**1,341,424**	1,509,543
Capital and reserves			
Share capital: nominal value	29	**–**	73,589
Other statutory capital reserves	31	**–**	1,418,773
Share capital and other statutory capital reserves	29	**1,552,433**	1,492,362
Other reserves		**(207,848)**	19,670
Equity attributable to owners of the Company		**1,344,585**	1,512,032
Non-controlling interests		**(3,161)**	(2,489)
Total equity		**1,341,424**	1,509,543

The consolidated financial statements on pages 40 to 131 were approved and authorised for issue by the board of directors on 25 March 2015 and are signed on its behalf by:

Tam Tak Wah	**Tsang Ching Man**
Director	*Director*

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**516**	732
Interests in subsidiaries, net	19	**1,904,664**	1,957,664
Available-for-sale financial assets	20	**1,000**	1,000
		1,906,180	1,959,396
Current assets			
Amounts due from subsidiaries, net	19	**153,321**	132,688
Other receivables	23	**35,349**	35,494
Cash and bank balances	24	**80,476**	18,448
		269,146	186,630
Current liabilities			
Convertible notes-liability portion, unsecured	26	**593,767**	–
Convertible notes-embedded derivatives, unsecured	26	**165,285**	–
Other payables	27	**9,710**	1,016
		768,762	1,016
Net current (liabilities) assets		**(499,616)**	185,614
Total assets less current liabilities		**1,406,564**	2,145,010
Non-current liabilities			
Bonds	28	**79,289**	–
Convertible notes-liability portion, unsecured	26	**–**	528,975
Convertible notes-embedded derivatives, unsecured	26	**–**	156,356
		79,289	685,331
Net assets		**1,327,275**	1,459,679
Capital and reserves			
Share capital: nominal value	29	**–**	73,589
Other statutory capital reserves	31	**–**	1,418,773
Share capital and other statutory capital reserves	29	**1,552,433**	1,492,362
Other reserves	31	**(225,158)**	(32,683)
Total equity		**1,327,275**	1,459,679

The financial statements on pages 40 to 131 were approved and authorised for issue by the board of directors on 25 March 2015 and are signed on its behalf by:

Tam Tak Wah	**Tsang Ching Man**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to the owners of the Company										
	Share capital	**Share premium**	**Capital redemption reserve**	**Special capital reserve**	**Other capital reserve**	**Warrant reserve**	**Exchange reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 31(b)(i)	*Note 31(b)(i)*	*Note 31(b)(ii)*	*Note 31(b)(iii)*		*Note 31(b)(iv)*				
At 1 January 2013	66,385	1,397,856	5,318	579,799	1,805	–	227,767	(523,470)	1,755,460	(1,879)	1,753,581
Loss for the year	–	–	–	–	–	–	–	(353,176)	(353,176)	(610)	(353,786)
Other comprehensive income											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	65,938	–	65,938	–	65,938
Other comprehensive income for the year	–	–	–	–	–	–	65,938	–	65,938	–	65,938
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	65,938	(353,176)	(287,238)	(610)	(287,848)
Issue of shares under rights issue, net of share issuance costs *(note 29(c))*	6,638	34,344	–	–	–	–	–	–	40,982	–	40,982
Issue of warrants *(note 30)*	–	(21,941)	–	–	–	21,941	–	–	–	–	–
Issue of shares upon exercise of warrants *(note 30)*	566	3,196	–	–	–	(934)	–	–	2,828	–	2,828
At 31 December 2013 and 1 January 2014	73,589	1,413,455	5,318	579,799	1,805	21,007	293,705	(876,646)	1,512,032	(2,489)	1,509,543
Loss for the year	–	–	–	–	–	–	–	(196,428)	(196,428)	(672)	(197,100)
Other comprehensive expenses											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(8,278)	–	(8,278)	–	(8,278)
Reclassification of other capital reserve upon dissolution of an associate	–	–	–	–	(1,805)	–	–	–	(1,805)	–	(1,805)
Other comprehensive expenses for the year	–	–	–	–	(1,805)	–	(8,278)	–	(10,083)	–	(10,083)
Total comprehensive expenses for the year	–	–	–	–	(1,805)	–	(8,278)	(196,428)	(206,511)	(672)	(207,183)
Issue of shares upon exercise of warrants *(note 30)*	45,899	6,044	–	–	–	(12,879)	–	–	39,064	–	39,064
Transition to no-par value regime *(note 29(d))*	1,424,817	(1,419,499)	(5,318)	–	–	–	–	–	–	–	–
Transfer upon expiration of warrants *(note 30)*	8,128	–	–	–	–	(8,128)	–	–	–	–	–
At 31 December 2014	1,552,433	–	–	579,799	–	–	285,427	(1,073,074)	1,344,585	(3,161)	1,341,424

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Operating activities			
Loss before tax		**(223,185)**	(453,906)
Adjustments for:			
Interest income	8	**(65)**	(512)
Finance costs	10	**85,423**	71,084
Dividend income	8	**(444)**	(43)
Fair value change of convertible notes' embedded derivatives	26	**8,929**	(56,547)
Gain on disposal of financial assets at fair value through profit or loss	7	**(4,486)**	(413)
Net gain on revaluation of financial assets at fair value through profit or loss	7	**(10,907)**	(2,610)
Depreciation of property, plant and equipment	17	**4,011**	3,838
Reversal of interest accrued	8	**(532)**	(532)
Loss on restructuring of convertible notes	26	**–**	7,350
Amortisation of production sharing contract	18	**107,154**	117,824
Impairment loss of production sharing contract	18	**–**	283,470
Gain on dissolution of an associate	9	**(1,805)**	–
Gain on redemption of convertible notes	26	**–**	(21)
Loss on disposal of property, plant and equipment	11	**34**	–
		(35,873)	(31,018)
Movement in working capital:			
Decrease (increase) in financial assets at fair value through profit or loss		**7,838**	(314)
Decrease (increase) in loan receivables		**4,059**	(4,059)
Increase in trade and other receivables		**(750)**	(9,991)
Increase (decrease) in trade and other payables		**9,139**	(7,168)
Cash used in operations		**(15,587)**	(52,550)
Income tax paid		**(68)**	(490)
Interest received		**65**	512
Net cash used in operating activities		**(15,590)**	(52,528)
Investing activities			
Dividend received		**444**	43
Purchase of property, plant and equipment		**(14,520)**	(2,346)
Proceeds from disposal of property, plant and equipment		**12**	152
Decrease in pledged bank deposits		**–**	3,000
Net cash (used in) generated from investing activities		**(14,064)**	849

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 HK$'000	2013 HK$'000
Financing activities			
Proceeds from issue of shares under rights issue, net of share issuance costs		**–**	40,982
Proceeds from issue of shares upon exercise of warrants		**39,064**	2,828
Proceeds from issue of bonds		**79,200**	–
Interest paid		**(20,542)**	(5,867)
Repayment for other borrowing		**(1,334)**	(1,605)
Payment for redemption of convertible notes		**–**	(17,640)
Net cash generated from financing activities		**96,388**	18,698
Net increase (decrease) in cash and cash equivalents		**66,734**	(32,981)
Cash and cash equivalents at beginning of year		**42,080**	78,506
Effect of foreign exchange rate changes		**938**	(3,445)
Cash and cash equivalents at end of year	24	**109,752**	42,080

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL

International Standard Resources Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office and the principal place of business is Unit E, 29/F, Tower B, Billion Centre, No. 1 Wang Kwong Road, Kowloon.

The principal activities of the Group are coalbed methane gas exploration and exploitation in the People's Republic of China (the "PRC"), sale of electronic components and treasury which includes securities trading and money lending. The principal activities of its subsidiaries are set out in note 19.

The consolidated financial statements are presented in Hong Kong dollars (the "HK$"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above amendments to HKFRSs and new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (*Continued*)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[4]
HKFRS 9	Financial Instruments[6]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[4]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (*Continued*)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (*Continued*)

HKFRS 9 Financial Instruments ***(Continued)***

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not anticipate that the application of HKFRS 9 will have a material impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of these other new and revised standards and amendments will have no material impact on the consolidated financial statements.

New Companies Ordinance

In addition, the requirements of Part 9, "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Group's first financial year commencing after 3 March 2014 (that is, the Group's financial year which began on 1 January 2015) in accordance with section 358 of the Hong Kong Companies Ordinance (Cap. 622). The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far, it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(a) Statement of compliance *(Continued)*

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(b) Basis of preparation of the consolidated financial statements *(Continued)*

In preparing the consolidated and the Company's financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group and the Company in light of the fact that the current liabilities exceeded the current assets by HK$574,562,000 and HK$499,616,000 respectively as at 31 December 2014 and the Group incurred a loss of approximately HK$197,100,000, which included the amortisation expense for the production sharing contract of HK$107,154,000 for the year then ended. Included in the current liabilities as at 31 December 2014, there were convertible notes (with the principal value of HK$677,000,000) carried at amortised cost of HK$759,052,000, which would fall due on 31 December 2015. As detailed in note 26, convertible notes with principal value of HK$40,000,000 have been converted into 333,333,333 ordinary shares on 30 January 2015; the Company and the convertible noteholder holding the remaining part of the convertible notes with principal value of HK$637,000,000 entered into a convertible notes restructuring agreement on 5 February 2015, pursuant to which, the Company's existing convertible notes were subsequently restructured and settled on 20 March 2015 by new convertible notes with principal value of HK$637,000,000 with maturity date on 31 December 2018. Based on a cash flow forecast prepared by the management for the next eighteen months ending on 30 June 2016, the Group and the Company will have sufficient working capital to operate as a going concern. Accordingly, the consolidated and the Company's financial statements have been prepared on a going concern basis. Should the Group and the Company be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated and the Company's financial statements.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(c) Basis of consolidation *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in the net assets or liabilities consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

(e) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(e) Investments in associates *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part of interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(f) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group’s consolidated financial statements only to the extent of other parties’ interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

The operation under the production sharing contract (the “PSC”) as referred to in note 18 to the consolidated financial statements is accounted for as a joint operation.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Revenue from sale of natural gas and coalbed methane products is recognised based on gas consumption derived from meter readings.

Revenue from sale of electronic components is recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Realised gains or losses from financial assets at fair value through profit or loss are recognised on the transaction dates when they are executed whilst the unrealised gains or losses are recognised from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(h) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(i) Foreign currencies *(Continued)*

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, in accordance with the rules of the MPF Scheme.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(k) Employee benefits (*Continued*)

Short term employee benefits and contributions to defined contribution retirement plans (Continued)

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where the forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account before the effective of no-par value regime on 3 March 2014 or share capital account upon the effective of no-par value regime on 3 March 2014) or the option expires (when it is released directly to accumulated losses).

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(l) Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to researching and analysing existing exploration data; conducting geological studies; exploratory drilling and sampling; examining and testing extraction and treatment methods and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are capitalised as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised and transferred to development assets if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the profit or loss.

(m) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(m) Income tax (*Continued)*

Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint operations, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(n) Property, plant and equipment

Property, plant and equipment including land and buildings, plant and equipment, furniture and fixtures, motor vehicle and leasehold improvements held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Details are as follows:

Land and buildings	20 years
Leasehold improvements	2 years or over the terms of the lease, if higher
Furniture and fixtures	5 to 10 years
Motor vehicles	5 to 10 years
Plant and equipment	3 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economics benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(n) Property, plant and equipment (*Continued)*

Construction in progress represents buildings and structures under construction, which is stated at cost less impairment losses. Cost comprises the direct costs of construction as well as borrowing costs during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(o) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated remaining useful life is as follows:

– Production sharing contract 24.9 years

(p) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

(p) Impairment of tangible and intangible assets other than goodwill (*Continued*)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(q) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined in the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(s) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with any banks or other financial institutions, short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturing at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

(t) Related parties

(a) A person or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan , the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(v) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(v) Financial instruments (*Continued)*

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend or interest earned from these financial asset are recognised in profit or loss when the Group's right to receive payment is established. Fair value is determined in the manner described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(v) Financial instruments (*Continued)*

Financial assets (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables, deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(v) Financial instruments (*Continued)*

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(v) Financial instruments (*Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instrument in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(v) Financial instruments (*Continued)*

Financial liabilities and equity instruments (Continued)

Convertible notes that contains an equity component

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity instrument in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(v) Financial instruments (*Continued)*

Financial liabilities and equity instruments (Continued)

Other convertible notes (Continued)

The portion relating to the derivative component is recognised immediately in profit or loss. The derivative component is subsequently remeasured in accordance with note 3(v) "*Derivative financial instruments*". The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium before the effective of no-par value regime on 3 March 2014 or share capital upon the effective of no-par value regime on 3 March 2014 as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities

Other financial liabilities (including other borrowing, bonds and other payables) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, (where appropriate), a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The proceed received from the issue of warrants, net of direct issue costs, is recognised in equity (warrant reserve). Warrant reserve will be transferred to share capital and share premium accounts before the effective of no-par value regime on 3 March 2014 or share capital account upon the effective of no-par value regime on 3 March 2014, upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued)*

(v) Financial instruments (*Continued)*

Financial liabilities and equity instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of property, plant and equipment

The Group tests at least annually whether assets that have definite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of assets or cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(b) Escrow monies held in escrow accounts

As disclosed in note 23(c) to the consolidated financial statements, there was escrow monies of HK$85,000,000 placed in the escrow accounts of an escrow agent. The Group has instituted legal proceedings for the return of these escrow monies. As referred to in note 35(a) to the consolidated financial statements, based on the legal opinion sought, the directors of the Company are of the view that no impairment loss is required to be recognised on the escrows monies as at 31 December 2014. However, in the event that the litigations were unfavourable and the actual future cash inflows were less than expected, an impairment loss may arise in future period.

(c) Impairment of trade and other receivables

Trade and other receivables are reviewed periodically to assess whether impairment losses exist and if they exist, the amounts of the impairment losses are estimated based on historical loss experience for trade and other receivables with similar credit risk. The methodology and assumptions used in estimating future cash flows are reviewed regularly to reduce any difference between the loss estimates and actual amounts.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (*Continued*)

Key sources of estimation uncertainty (*Continued*)

(d) Useful life and amortisation of intangible asset – production sharing contract

The PSC is amortised on a straight-line basis over the remaining contract terms of 24.9 years to 31 March 2038. The management determines the estimated useful lives and basis for amortisation for its PSC taking into account factors including but not limited to, contractual terms of respective contracts, the expected usage of the assets by the Group based on past experience, technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service of the assets. The estimation of the useful life and the basis for amortisation is a matter of judgment based on the experience of the Group. Management reviews the estimated useful life and the basis for amortisation of intangible asset annually, and if expectations are significantly different from previous estimate of useful economic life, the basis and rate of amortisation for future periods will be adjusted accordingly.

Had a different amortisation rate been used to calculate the amortisation of the PSC, the Group's result of operations and financial position could be materially different.

(e) Estimate for resources and/or reserves of coalbed methane ("CBM") under the production sharing contract

Reserves are estimates of the amount of coalbed methane that can be economically and legally extracted from the designated contract area under the PSC (note 18). In order to make an estimate for the reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the information on the size, shape and depth of the coalbed or fields which has to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of coalbed methane in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves under the terms of the PSC. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of intangible assets relating to the PSC at 31 December 2014 is shown in note 18.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (*Continued*)

Key sources of estimation uncertainty (*Continued*)

(e) Estimate for resources and/or reserves of coalbed methane ("CBM") under the production sharing contract (Continued)

As the economic assumptions used to estimate resources and/or reserves may change from period to period, and because additional geological data is generated during the course of operations, the estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

– the carrying value of intangible asset relating to the PSC may be affected due to changes in estimated future cash flows;

– depreciation, depletion and amortisation charged in the consolidated statement of profit or loss may change as such charges are determined by reference to the units of production basis or the estimated useful economic lives of the assets;

– provisions for decommissioning site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and

– the carrying value of deferred tax liabilities may change as a result of changes in the asset carrying values as discussed above.

(f) Impairment of intangible asset – production sharing contract

The estimated recoverable amount of the PSC (note 18) at the end of the reporting period has been arrived at on the basis of an independent professional valuation carried out by an independent firm of professional qualified valuers using income approach valuation methodology, which involves the value-in-use calculations with reference to the technical assessment reports issued by Netherland, Sewell & Associates, Inc. and the latest internal reserve assessment. Both the valuers and technical advisor are not connected with the Group and with appropriate qualifications and relevant experience in the industry. The Group has estimated the future cash flows and profit forecasts expected to be generated from the PSC as a cash-generating unit and a risk-adjusted discount rate in order to calculate the present value. The Group's CBM business under the PSC is currently at its early stage of development. The cash flow and profit forecast projections involve significant judgement and estimates on the accuracy of the assumptions for the projections and estimates of, including but not limited to, government policies, the growth rate, the extent of the future market competition, market demand, and cost structure of CBM products that the Group will achieve during the forecast period.

Had different parameters and discount rate been used to determine the estimated recoverable amount of the intangible asset, the Group's results of operations and financial position could be materially different.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (*Continued*)

Key sources of estimation uncertainty (*Continued*)

(g) Exploration and evaluation expenditures

The application of the Group's accounting policy for the exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss in the period when the new information becomes available.

Critical accounting judgement in applying the Group's accounting policies

(h) Functional currency

The Company is carrying out its operating activities and making management decisions in Hong Kong, that is, raising finance in Hong Kong dollars and has significant degree of autonomy from its foreign subsidiaries in the way its business is managed. In the opinion of the directors of the Company, the functional currency of the Company is Hong Kong dollars.

(i) Fair value of embedded derivatives portion of convertible notes

The fair value of the embedded derivatives portion of the convertible notes that are not traded in active market is determined by using valuation techniques. The Group estimates the fair value of the embedded derivatives portion of the convertible notes based on the independent professional valuations using the binomial lattice model which requires various sources of information and assumptions. The carrying amount of embedded derivatives portion of the convertible notes as at 31 December 2014 was HK$165,285,000 (2013: HK$156,356,000). Further details are disclosed in note 26 to the consolidated financial statements.

5. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratio at 31 December 2014 and 2013 was as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Other borrowing	**14,431**	15,831
Convertible notes	**759,052**	685,331
Bonds	**79,289**	–
Less: Cash and bank balances	**(109,932)**	(42,260)
Total net debt	**742,840**	658,902
Total equity	**1,341,424**	1,509,543
Total capital	**2,084,264**	2,168,445
Gearing ratio	**35.64%**	30.39%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Available-for-sale financial assets	**1,000**	1,000
Financial assets at fair value through profit or loss	**38,592**	31,037
Loan and other receivables (including cash and cash equivalents)	**209,847**	145,146
	249,439	177,183
Financial liabilities		
Bonds	**79,289**	–
Convertible notes-liability portion, unsecured	**593,767**	528,975
Convertible notes-embedded derivatives, unsecured	**165,285**	156,356
Other financial liabilities	**45,682**	50,226
	884,023	735,557

(2) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, financial assets at fair value through profit or loss, trade receivables, deposits and other receivables, bank balances and cash, bonds, convertible notes, trade payables, other payables and amounts due to the non-controlling interests of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk, other price risk and interest rate risk), credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

(2) Financial risk management objectives and policies *(Continued)*

(a) Foreign currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which the transaction relates. The currencies giving rise to this risk are primarily Renminbi ("RMB") and United States dollars ("US$"). RMB is not freely convertible into other currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. As HK$ is pegged to the US$, the Group does not expect any significant currency risk of US$ position.

Overall, the Group monitors its currency exposure closely and would consider hedging significant currency exposure should the need arise.

(b) Other price risk

The Group is exposed to equity price risk from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As at the end of the reporting period, the Group is exposed to this risk through the conversion rights attached to the convertible notes issued by the Company as disclosed in note 26.

In addition, the Group is exposed to equity price risk through its investment in listed equity securities (note 21). The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in banking, telecommunication and construction industry sectors quoted in The Stock Exchange of Hong Kong Limited.

The Group has not hedged its price risk arising from investments in equity securities. The Group's securities investments are listed on The Stock Exchange of Hong Kong Limited are valued at the quoted market prices at the reporting date.

Sensitivity analysis
If equity prices had been 10% higher/lower (2013: 10% higher/lower):

- post-tax loss for the year ended 31 December 2014 would decrease/increase by approximately HK$3,589,000 (2013: decrease/increase by approximately HK$3,104,000). This is mainly due to the changes in fair value of held for trading investments.

6. FINANCIAL INSTRUMENTS *(Continued)*

(2) Financial risk management objectives and policies *(Continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in relation to the bank balances due to the fluctuation of the prevailing market interest rates for the years ended 31 December 2014 and 2013.

The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

As at 31 December 2014 and 2013, if the interest rates on bank deposits had been 100 basis points higher/lower with all other variables held constant, the Group's loss for the year would decrease/increase by approximately HK$1,099,000 (2013: HK$422,000).

(d) Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group has no significant concentration of credit risk by any single debtor, except for other receivables in relation to escrow accounts' monies as disclosed in note 23(c).

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk for such institutions is minimal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

(2) Financial risk management objectives and policies *(Continued)*

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the year end date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the date of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2014						2013					
	Carrying amount	Weight average interest rate	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	2 years but less than 5 years	Carrying amount	Weight average interest rate	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	2 years but less than 5 years
	HK$'000	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other borrowing	14,431	-	14,431	14,431	-	-	15,831	–	15,831	15,831	–	–
Trade and other payables	46,811	-	46,811	46,811	-	-	38,243	–	38,243	38,243	–	–
Bonds	79,289	6.1%	103,827	5,290	5,290	93,247	–	–	–	–	–	–
Convertible notes (including embedded derivatives)	759,052	2.0%	690,540	690,540	-	-	685,331	2.0%	704,080	13,540	690,540	–
	899,583		855,609	757,072	5,290	93,247	739,405		758,154	67,614	690,540	–

6. FINANCIAL INSTRUMENTS *(Continued)*

(2) Financial risk management objectives and policies *(Continued)*

(e) Liquidity risk (Continued)

The Company

	2014						2013					
	Carrying amount	Weight average interest rate	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	2 years but less than 5 years	Carrying amount	Weight average interest rate	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	2 years but less than 5 years
	HK$'000	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	**9,710**	**–**	**9,710**	**9,710**	**–**	**–**	1,016	–	1,016	1,016	–	–
Bonds	**79,289**	**6.1%**	**103,827**	**5,290**	**5,290**	**93,247**	–	–	–	–	–	–
Convertible notes (including embedded derivatives)	**759,052**	**2.0%**	**690,540**	**690,540**	**–**	**–**	685,331	2.0%	704,080	13,540	690,540	–
	848,051		**804,077**	**705,540**	**5,290**	**93,247**	686,347		705,096	14,556	690,540	–

(f) Oil and gas price risk

Apart from the financial instruments disclosed above, the Group's activities expose it to market risk relating to oil and gas price risk.

The Group is engaged in a wide range of gas related activities. The global oil and gas market is affected by international political, economic and global demand for and supply of oil and gas. A decrease in the world prices of crude oil and gas could adversely affect the Group's financial position. The Group has not used any derivative instruments to hedge against potential price fluctuations of crude oil and refined products. The management will consider hedging oil and gas exposure should the need arise.

(3) Fair value measurement

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

6. FINANCIAL INSTRUMENTS *(Continued)*

(3) Fair value measurement *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The Group

	Level 1	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***
2014			
Financial assets			
– Financial assets at fair value through profit or loss *(note 21)*	**38,592**	**–**	**–**
– Available-for-sale financial assets *(note 20)*	**–**	**–**	**1,000**
Financial liabilities			
– Convertible notes-embedded derivatives, unsecured *(note 26)*	**–**	**–**	**165,285**
	38,592	**–**	**166,285**
2013			
Financial assets			
– Financial assets at fair value through profit or loss *(note 21)*	31,037	–	–
– Available-for-sale financial assets *(note 20)*	–	–	1,000
Financial liabilities			
– Convertible notes-embedded derivatives, unsecured *(note 26)*	–	–	156,356
	31,037	–	157,356

6. FINANCIAL INSTRUMENTS *(Continued)*

(3) Fair value measurement *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The Company

	Level 1	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***
2014			
Financial assets			
– Available-for-sale financial assets *(note 20)*	**–**	**–**	**1,000**
Financial liabilities			
– Convertible notes-embedded derivatives, unsecured *(note 26)*	**–**	**–**	**165,285**
	–	**–**	**166,285**
2013			
Financial assets			
– Available-for-sale financial assets *(note 20)*	–	–	1,000
Financial liabilities			
– Convertible notes-embedded derivatives, unsecured *(note 26)*	–	–	156,356
	–	–	157,356

During the years ended 31 December 2014 and 2013, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

6. FINANCIAL INSTRUMENTS *(Continued)*

(3) Fair value measurement *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Information about Level 1 fair value measurements

The fair value of equity securities classified as Level 1 was determined by the quoted price in active market.

Information about Level 3 fair value measurements

The fair value of conversion option embedded in convertible notes is determined using binomial lattice model and the significant unobservable input used in the fair value measurement is volatility. The fair value measurement is positively correlated to the credit spread. As at 31 December 2014, the credit spread used in the valuation is 15%, and it is estimated that with all other variables held constant, an increase/decrease of 10% points in the volatility would have increased/decreased the Group's loss by HK$15,038,000/HK$15,495,000 (2013: increased/decreased the Group's loss by HK$15,124,000/HK$15,582,000).

The movements during the year in the balances of the Level 3 fair value measurement for the conversion option embedded in convertible notes are disclosed in note 26 to the consolidated financial statements. Fair value gain on conversion option embedded in convertible notes is charged to the consolidated statement of profit or loss. Of the total gains or losses for the year in the profit or loss, change in fair value loss of HK$8,929,000 (2013: gain of HK$56,547,000) related to conversion option embedded in convertible notes for the reporting period. The fair value of the available-for-sale financial assets (note 20) was estimated by the directors of the Company with reference to the expected value to be realised.

Fair value of financial assets and financial liabilities that are not measured on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their respective fair values.

7. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are coalbed methane gas exploration and exploitation in the PRC, sale of electronic components and treasury including securities trading and money lending.

An analysis of the amount of each significant category of revenue from principal activities during the year is as follows:

	2014	2013
	HK$'000	*HK$'000*
Sale of electronic components	**127,918**	90,773
Sale of coalbed methane products	**2,570**	3,552
Gain on disposal of financial assets at fair value through profit or loss	**4,486**	413
Net gain on revaluation of financial assets at fair value through profit or loss	**10,907**	2,610
Interest income from money lending	**140**	509
	146,021	97,857

(b) Segment information

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, who are also the executive directors of the Company, for the purpose of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Electronic components

– Coalbed methane

– Treasury (i.e. securities trading and money lending)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment information *(Continued)*

(i) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate and other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment result". Segment result includes the operating profit generated by the segment and finance costs directly attributable to the segment, without allocation of head office or corporate administration costs. Income tax is not allocated to reportable segment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment information *(Continued)*

(i) Segment results, assets and liabilities (Continued)

Year ended 31 December 2014

	Electronic components *HK$'000*	Coalbed methane *HK$'000*	Treasury *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	127,918	2,570	15,533	146,021
Inter-segment revenue	–	–	–	–
Reportable segment revenue	127,918	2,570	15,533	146,021
Reportable segment results	(1,544)	(212,317)	14,070	(199,791)
Amortisation of production sharing contract	–	107,154	–	107,154
Depreciation	38	2,930	122	3,090
Other income	(44)	(541)	(445)	(1,030)
Interest expenses	–	85,158	–	85,158
Major non-cash item:				
Fair value change of convertible notes' embedded derivatives	–	8,929	–	8,929
Reportable segment assets	15,391	2,635,712	135,911	2,787,014
Additions to non-current segment assets during the year	–	13,696	–	13,696
Reportable segment liabilities	18,142	782,949	3,850	804,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment information *(Continued)*

(i) Segment results, assets and liabilities (Continued)

Year ended 31 December 2013

	Electronic components *HK$'000*	Coalbed methane *HK$'000*	Treasury *HK$'000*	Total *HK$'000*
Reportable segment revenue from external customers	90,773	3,552	3,532	97,857
Inter-segment revenue	–	–	–	–
Reportable segment revenue	90,773	3,552	3,532	97,857
Reportable segment results	(1,393)	(431,528)	1,143	(431,778)
Amortisation of production sharing contract	–	117,824	–	117,824
Depreciation	36	2,931	137	3,104
Impairment loss on production sharing contract	–	283,470	–	283,470
Loss on restructuring of convertible notes	–	7,350	–	7,350
Gain on redemption of convertible notes	–	(21)	–	(21)
Other income	(133)	(539)	(44)	(716)
Interest expenses	7	71,077	–	71,084
Major non-cash item:				
Fair value change of convertible notes' embedded derivatives	–	(56,547)	–	(56,547)
Reportable segment assets	14,451	2,750,699	121,769	2,886,919
Additions to non-current segment assets during the year	22	2,159	–	2,181
Reportable segment liabilities	17,424	713,556	3,850	734,830

7. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment information *(Continued)*

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2014	2013
	HK\$'000	*HK\$'000*
Revenue		
Reportable segment revenue	**146,021**	97,857
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**146,021**	97,857
Profit or loss		
Reportable segment results	**(199,791)**	(431,778)
Other income	**233**	1,019
Other gains and losses	**367**	4,219
Unallocated head office and corporate expenses	**(23,994)**	(27,366)
Consolidated loss before tax	**(223,185)**	(453,906)
Assets		
Reportable segment assets	**2,787,014**	2,886,919
Unallocated head office and corporate assets	**98,715**	35,127
Consolidated total assets	**2,885,729**	2,922,046
Liabilities		
Reportable segment liabilities	**804,941**	734,830
Tax payable	**3,295**	2,053
Deferred tax liabilities	**641,427**	671,045
Unallocated head office and corporate liabilities	**94,642**	4,575
Consolidated total liabilities	**1,544,305**	1,412,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

7. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment information *(Continued)*

(iii) Geographical information

In presenting geographical information, revenue is based on the geographical location of the external customers. Specified non-current assets, which represent property, plant and equipment, intangible assets and available-for-sale financial assets, are based on the geographical location of assets.

	Hong Kong	PRC	Total
	HK$'000	*HK$'000*	*HK$'000*
2014			
Revenue	**143,451**	**2,570**	**146,021**
Specified non-current assets	**2,534**	**2,634,168**	**2,636,702**
2013			
Revenue	94,305	3,552	97,857
Specified non-current assets	2,438	2,742,503	2,744,941

(iv) Information about major customers

Revenue from customers from the electronics components segment contributing 10% or more of the total revenue of the Group is as follows:

	2014	2013
	HK$'000	*HK$'000*
Customer A*	**N/A**	15,869
Customer B	**62,659**	30,973
Customer C*	**N/A**	23,377
Customer D*	**N/A**	13,533
Customer E	**43,753**	N/A
	106,412	83,752

* Customer A, C and D contributed less than 10% of the Group's total revenue for the year ended 31 December 2014.

8. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**65**	512
Consultancy fee	**179**	–
Dividend income	**444**	43
Tooling income for unclaimed moulding fee	**–**	82
Reversal of interest accrued *(note)*	**532**	532
Sundry income	**43**	566
	1,263	1,735

Note:

As disclosed in notes 18 and 25, the independent third party agreed to waive all accrued interest of approximately HK$6,834,000 (equivalent to RMB6,008,000) due by Canada Can-Elite Energy Limited ("Can-Elite"), a wholly-owned subsidiary of the Company, and China United Coalbed Methane Corporation Limited ("China United") as at 31 December 2008, of which Can-Elite shared approximately HK$4,784,000 (equivalent to RMB4,206,000) based on the PSC. The accrued interest waived is amortised over the contractual period of 9 years during which a discount on sale of CBM products is given to that independent third party.

9. OTHER GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Fair value change of convertible notes' embedded derivatives *(note 26)*	**(8,929)**	56,547
Gain on redemption of convertible notes *(note 26)*	**–**	21
Gain on dissolution of an associate	**1,805**	–
Loss on disposal of property, plant and equipment	**(34)**	–
Loss on restructuring of convertible notes *(note 26)*	**–**	(7,350)
Net foreign exchange (loss) gain	**(1,434)**	4,219
	(8,592)	53,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

10. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest expenses on borrowings wholly repayable within five years:		
Imputed interest on convertible notes	**85,158**	71,077
Imputed interest on bonds	**265**	–
Interest on bank overdrafts	**–**	7
	85,423	71,084

11. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**22,095**	23,909
Contributions to defined contribution retirement plans	**1,305**	1,075
Total staff costs	**23,400**	24,984
(b) Other items		
Amortisation of PSC	**107,154**	117,824
Impairment loss on PSC	**–**	283,470
Depreciation of property, plant and equipment	**4,011**	3,838
Operating lease charges in respect of land and buildings	**3,608**	3,635
Auditor's remuneration		
– Audit services	**500**	650
– Non-audit services	**125**	225
Loss on disposal of property, plant and equipment	**34**	–
Cost of inventories sold	**126,314**	88,587

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

2014

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Cheng Wai Keung	–	264	19	14	297
Tam Tak Wah	–	644	28	17	689
Tsang Ching Man	–	893	50	17	960
Independent non-executive directors					
Albert Saychuan Cheok	480	–	–	–	480
Chan Tsz Kit	100	–	–	–	100
Chan Yim Por, Bonnie	100	–	–	–	100
Wang Li	100	–	–	–	100
Chief executive					
Lyu Guoping	–	1,639	66	17	1,722
	780	3,440	163	65	4,448

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

2013

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Cheng Wai Keung	–	255	25	13	293
Tam Tak Wah	–	620	52	15	687
Tsang Ching Man	–	853	72	15	940
Lo Tai In (retired on 27 June 2013)	–	255	24	13	292
Tong Nai Kan (retired on 27 June 2013)	73	2,594	–	8	2,675
Independent non-executive directors					
Albert Saychuan Cheok (appointed on 9 July 2013)	231	–	–	–	231
Chan Tsz Kit	100	–	–	–	100
Chan Yim Por, Bonnie	100	–	–	–	100
Wang Li	100	–	–	–	100
Chief executive					
Lyu Guoping	–	1,339	–	15	1,354
	604	5,916	173	79	6,772

There was no amount paid during the years ended 31 December 2014 and 2013 to any directors or chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid employees during the year included one director and the chief executive (2013: two directors and the chief executive), details of whose emoluments are set out in note 12 above. The emoluments of the remaining three (2013: two) individuals are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**4,079**	3,312
Contributions to retirement benefits schemes	**50**	30
	4,129	3,342

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2014	2013
	HK$'000	*HK$'000*
Emoluments bands		
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	1
	3	2

There was no amount paid or payable during the years ended 2014 and 2013 to any of these individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which any of these individuals waived or agreed to waive any remuneration during the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

14. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2014	2013
	HK$'000	*HK$'000*
Current tax		
PRC Corporate Income Tax		
– Provision for the year	**64**	185
Hong Kong Profits Tax		
– Provision for the year	**639**	19
Deferred tax *(note 14(d))*		
Origination and reversal of temporary differences	**(26,788)**	(100,324)
Tax credit	**(26,085)**	(100,120)

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2013:16.5%) of the estimated assessable profits for the year.

(ii) The Company's wholly-owned subsidiary, Can-Elite, incorporated under the laws of British Columbia, Canada, is subject to Income Tax Act (Canada) at a rate of 28% (2013: 28%).

Pursuant to the tax treaty agreement between the government of the PRC and the government of Canada for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, tax payable in the PRC on profits, income or gains arising in the PRC shall be deducted from any Canadian tax payable in respect of such profits, income or gains. No provision for Canadian tax has been made as the Group has no assessable profits derived from Canada during the years ended 31 December 2014 and 2013.

(iii) The subsidiaries in the PRC are subject to PRC Corporate Income Tax rate of 25% (2013: 25%).

(iv) Pursuant to the PRC tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and jurisdiction of the foreign investors. According to the tax treaty between Hong Kong Special Administrative Region and the PRC for avoidance of double taxation and prevention of fiscal evasion, dividends declared from the PRC subsidiaries to Hong Kong holding companies are subject to 5% withholding income tax.

14. INCOME TAX ***(Continued)***

(b) The income tax credit for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss before tax	**(223,185)**	(453,906)
Notional tax on loss before tax, calculated at the rates applicable in the jurisdictions concerned	**(47,396)**	(110,125)
Tax effect of income not taxable for tax purpose	**(2,239)**	(1,354)
Tax effect of expenses not deductible for tax purpose	**20,101**	10,817
Tax effect of deductible temporary differences not recognised	**35**	–
Tax effect of tax losses not recognised	**3,503**	542
Utilisation of tax losses previously not recognised	**(72)**	–
Tax effect of tax deduction	**(17)**	–
Income tax credit	**(26,085)**	(100,120)

(c) Current tax on the consolidated statement of financial position:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Provision for current year		
– PRC Corporate Income Tax	**2,656**	2,039
– Hong Kong Profits Tax	**639**	14
	3,295	2,053

14. INCOME TAX ***(Continued)***

(d) The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustments on PSC arising from the business combination *(note 18)* *HK$'000*
At 1 January 2013	748,908
Credit to consolidated statement of profit or loss *(note 14(a))*	(100,324)
Exchange adjustment	22,461
At 31 December 2013 and 1 January 2014	671,045
Credit to consolidated statement of profit or loss *(note 14(a))*	(26,788)
Exchange adjustment	(2,830)
At 31 December 2014	641,427

(e) Deferred tax assets not recognised

Deferred tax assets of the Group and the Company amounting to HK$13,534,000 (2013: HK$10,209,000) and HK$9,040,000 (2013: HK$6,246,000), respectively, arising from unused tax losses have not been recognised in the financial statements due to the uncertainty as to their future utilisation. The unused tax losses have no expiry date.

15. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The loss for the year attributable to the owners of the Company includes a loss of HK$171,468,000 (2013: HK$301,597,000) which has been dealt with in the financial statements of the Company.

16. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on loss attributable to owners of the Company of HK$196,428,000 (2013: HK$353,176,000) and the weighted average number of 3,931,190,996 ordinary shares (2013: 3,495,601,213) in issue.

Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at 1 January	**3,679,433,991**	3,316,899,112
Effect of rights issue	**–**	174,914,739
Effect of exercise of warrants	**251,757,005**	3,787,362
Weighted average number of ordinary shares at 31 December	**3,931,190,996**	3,495,601,213

(b) Diluted loss per share

No adjustment was made in calculating diluted loss per share for both years as the conversion of convertible notes and exercise of warrants would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

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17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings	Construction in progress	Plant and equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 January 2013	6,625	37,131	27,960	1,932	2,310	1,309	77,267
Exchange adjustment	209	1,184	844	30	36	–	2,303
Additions	–	841	90	–	1,415	–	2,346
Transfer	–	(39,156)	39,156	–	–	–	–
Disposals	–	–	–	–	(224)	–	(224)
At 31 December 2013 and 1 January 2014	6,834	–	68,050	1,962	3,537	1,309	81,692
Exchange adjustment	(28)	(148)	(114)	(3)	(7)	–	(300)
Additions	–	13,649	–	166	–	705	14,520
Transfer	–	(13,501)	13,501	–	–	–	–
Disposals	–	–	(2)	–	(150)	–	(152)
At 31 December 2014	6,806	–	81,435	2,125	3,380	2,014	95,760
Accumulated depreciation							
At 1 January 2013	717	–	13,335	1,932	495	1,197	17,676
Exchange adjustment	27	–	426	30	6	–	489
Charge for the year	338	–	3,035	–	440	25	3,838
Eliminated on disposal of assets	–	–	–	–	(72)	–	(72)
At 31 December 2013 and 1 January 2014	1,082	–	16,796	1,962	869	1,222	21,931
Exchange adjustment	(4)	–	(63)	(2)	(1)	–	(70)
Charge for the year	340	–	2,942	20	508	201	4,011
Eliminated on disposal of assets	–	–	(1)	–	(105)	–	(106)
At 31 December 2014	1,418	–	19,674	1,980	1,271	1,423	25,766
Carrying amounts							
At 31 December 2014	5,388	–	61,761	145	2,109	591	69,994
At 31 December 2013	5,752	–	51,254	–	2,668	87	59,761

The land and buildings are situated in the PRC under medium-term lease. None of property, plant and equipment was pledged as security for borrowings of the Group as at 31 December 2014 and 2013.

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Motor vehicles
	HK$'000
Cost	
At 1 January 2013	952
Additions	126
At 31 December 2013, 1 January 2014 and 31 December 2014	1,078
Accumulated depreciation	
At 1 January 2013	143
Charge for the year	203
At 31 December 2013 and 1 January 2014	346
Charge for the year	216
At 31 December 2014	562
Carrying amount	
At 31 December 2014	516
At 31 December 2013	732

18. INTANGIBLE ASSETS

The Group

	Production sharing contract ("PSC")
	HK$'000
Cost	
At 1 January 2013	4,059,790
Exchange adjustment	128,293
At 31 December 2013 and 1 January 2014	4,188,083
Exchange adjustment	(17,467)
At 31 December 2014	4,170,616
Accumulated amortisation and impairment	
At 1 January 2013	1,064,157
Charge for the year	117,824
Impairment loss	283,470
Exchange adjustment	38,452
At 31 December 2013 and 1 January 2014	1,503,903
Charge for the year	107,154
Exchange adjustment	(6,149)
At 31 December 2014	1,604,908
Carrying amount	
At 31 December 2014	2,565,708
At 31 December 2013	2,684,180

18. INTANGIBLE ASSETS *(Continued)*

Notes:

(a) Through the acquisition of 100% equity interest in Merit First Investments Limited on 26 November 2008, the Group has obtained the interest in a coalbed methane PSC which was entered into between Can-Elite, a wholly-owned subsidiary of the Company, and China United on 8 November 2007. The interests of China United and Can-Elite under the PSC are in the proportion of 30% and 70% respectively, or in proportion to their participating interests in the development costs.

On 21 March 2008, the PSC was approved by the Ministry of Commerce of the PRC in respect of (i) the execution and implementation of the PSC; (ii) the terms of the PSC; and (iii) 70:30 profit sharing ratio between Can-Elite and China United. Beijing Z&D Law Firm, the legal advisor of the Company as to the PRC laws, advised that China United and Can-Elite had obtained all relevant approvals in relation to the execution and implementation of the PSC.

On 28 February 2009, Can-Elite and China United entered into a modification agreement, which formed an integral part of PSC, pursuant to which (i) the contract area has been increased from 356.802 to 567.843 square kilometres by an additional area of 211.041 square kilometres adjacent to the original contract area, at zero costs; and (ii) during the exploration period from 1 April 2008 to 31 March 2013, the number of wells to be drilled by Can-Elite under the PSC has been increased from 8 to 11 wells and the exploration costs shall be increased from RMB17,850,000 to RMB28,400,000. All other terms of the PSC shall remain unchanged. The modification agreement to the PSC was approved by the Ministry of Commerce of the PRC on 16 March 2009.

China United was established in 1996 and its principal business includes the exploitation, exploration, development, production and delivery and transportation of coalbed methane in the PRC and provision of ancillary services in relation thereto. The State Council of the PRC had in 1996 granted an exclusive right to China United to explore, develop and produce coalbed methane in cooperation with overseas companies. China United has obtained the approval from State Council of the PRC to have the option to cooperate with a foreign enterprise to exploit the coalbed methane resources in the contract area in a block covering approximately 567.843 square kilometres in the Su'nan Area of Anhui Province, the PRC under the PSC together with modification dated on 28 February 2009 ("CBM Contract Area"). Pursuant to the PSC, Can-Elite is engaged as a foreign partner to provide advanced technology and assign its competent experts to explore, develop, produce and sell coalbed methane, liquid hydrocarbons or coalbed methane products extracted from the CBM Contract Area. China United shall, among others, facilitate local approvals and liaison with local and government bodies and market the coalbed methane and liquid hydrocarbons and sell the same to prospective buyers.

The PSC provides a term of thirty consecutive years commencing from 1 April 2008, with production period not more than twenty consecutive years commencing on a date determined by the joint management committee which is set up by Can-Elite and China United, pursuant to the PSC, to oversee the operations in the CBM Contract Area.

Pursuant to the PSC and its modification dated 28 February 2009, during the exploration period from 1 April 2008 to 31 March 2013, Can-Elite shall (i) drill an aggregate of 11 wells for exploration; and (ii) invest at least an aggregate amount of RMB28,400,000 (equivalent to approximately HK$32,306,000) for 11 wells in the exploration period. Can-Elite shall first bear all the exploration costs, bearing no interest, which shall be recovered in kind out of coalbed methane and liquid hydrocarbons produced from any coalbed methane field, after the exploration costs have been converted into quantities of coalbed methane and liquid hydrocarbons based on the prevailing free market price of coalbed methane and liquid hydrocarbons. If no coalbed methane or liquid hydrocarbon is discovered in the CBM Contract Area, the exploration costs incurred by Can-Elite shall be deemed as its losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

In October 2011, Can-Elite entered into an agreement with China United, pursuant to which both parties agreed for China United to commence drilling work in the CBM Contract Area and to explore new technology for exploring and developing CBM, aiming at speeding up the exploration process of the CBM Contract Area. In December 2011, China United started drilling a parametric well within the CBM Contract Area and the drilling work has already been completed to date.

On 29 August 2013, a supplemental agreement was made between China United and Can-Elite pursuant to which, the exploration period for the CBM Contract Area under the PSC has been extended for two more years to 31 March 2015 during which Can-Elite shall expend at least RMB15,000,000 per year for exploration.

Can-Elite and China United shall reimburse the cost incurred during the development and production periods in the proportion of 70% and 30% respectively, or in proportion to their participating interests of each coalbed methane field. Upon extraction of the coalbed methane and liquid hydrocarbons, the coalbed methane and liquid hydrocarbons products shall be sold by China United and the proceeds will be deposited into a joint bank account opened by Can-Elite and China United, and the profits be distributed between the parties in the proportion of their participating interests in the development costs, or any other marketing approaches and procedures to be agreed between Can-Elite and China United.

For all assistance to be provided by China United, administrative fees in the sum of US$30,000 (equivalent to HK$234,000) and US$50,000 (equivalent to HK$390,000) were payable by Can-Elite to China United during the exploration period, and the development and production period, respectively, as agreed by Can-Elite and China United with reference to the administrative fee payable by other foreign investors to China United in other production sharing contracts. In the opinion of the directors of the Company, the administrative fee payable by the Can-Elite is comparable to that payable by other foreign investors with China United in other production sharing contracts.

The PSC is amortised on straight-line basis over the remaining contract terms of 24.9 years (2013: 25.9 years) of the PSC.

The arrangement under the PSC is a joint operation which is accounted for in accordance with the accounting policy as set out in note 3(f) to the consolidated financial statements.

18. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

Set out below is the summary of assets, liabilities and results of the CBM business under the PSC included in the consolidated financial statements for the year:

		2014	2013
		HK$'000	*HK$'000*
(i)	Results for the year		
	Revenue	**2,570**	3,552
	Expenses	**(12,951)**	(11,236)
	Amortisation of PSC	**(107,154)**	(117,824)
	Impairment loss on PSC	**–**	(283,470)
	PRC Corporate Income Tax	**(64)**	(185)
	Reversal of deferred tax liabilities	**26,788**	100,324
(ii)	Other comprehensive (expense) income		
	Exchange difference on translation of foreign operations	**(8,270)**	65,855
(iii)	Assets and liabilities		
	Intangible assets-PSC	**2,565,708**	2,684,180
	Plant and machinery	**62,994**	52,450
	Other payables	**(9,466)**	(9,117)
	Other borrowing	**(14,431)**	(15,831)
	Tax liabilities	**(14)**	(29)
	Deferred tax liabilities *(note 14(d))*	**(641,427)**	(671,045)
(iv)	Capital commitments *(note 34(a))*		
	Contracted but not provided for	**26,558**	51,399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

18. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(b) Impairment test on PSC

The recoverable amount of the PSC attributable to the Group has been determined based on a value-in-use calculations. The valuation was carried out by Cushman & Wakefield Valuation Advisory Services (HK) Ltd, an independent firm of professional valuer not connected with the Group. For the purpose of impairment testing, the carrying amount of intangible assets has been allocated to an individual cash-generating unit.

For impairment assessment purposes cash flow projections are prepared on the following assumptions:

Period of cash flow projections	23 years
Discount rate (pre-tax)	19.73%

The calculation is based on the pre-tax cash flow projections of the financial budgets approved by the management covering the 23-year period and a pre-tax discount rate of 19.73% (2013: 18.04%) which have duly reflected risks specific to the PSC, assuming that all key information provided by the management which included reserve quantity, feasibility of business plan, and exploitation method are appropriate and feasible. The cash flow projections are based on the budget sales and expected gross margins determined based on management's experience and expectation for the market development in the coalbed methane industry in the PRC. The CBM reserve quantity used in the valuation of the PSC as at 31 December 2014 is based on the reports included the technical reports issued by Netherland, Sewell & Associates, Inc. on 2 March 2011 and 31 October 2008, the technical reports prepared by an integrated geoscience and engineering consulting company on 23 March 2015 and the reserve evaluation report prepared in respect of the reserves located in Luling Block, being part of the CBM Contract Area, which had been approved by the Office for Oil and Gas Profession of the Mineral Resources and Reserves Assessment Centre of the Ministry of Land and Resources of the PRC and was duly filed with the Ministry of Land and Resources of the PRC on 4 June 2014 after the compliance review. The completion of the approval and filing procedure signified that the risk assessment stage of Luling Block in the CBM Contract Area has come to an end, and the PSC work will proceed to the design and development stage.

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Loan to a subsidiary *(note (a))*	**2,254,004**	2,254,004
Less: Impairment loss *(note (a))*	**(349,340)**	(296,340)
Interests in subsidiaries	**1,904,664**	1,957,664
Amounts due from subsidiaries *(note (c))*	**298,085**	271,234
Less: Impairment loss *(note (b))*	**(144,764)**	(138,546)
	153,321	132,688

(a) The loan to a subsidiary of HK$2,254,004,000 (2013: HK$2,254,004,000) is unsecured, interest free and will not be demanded for repayment. In the opinion of the directors of the Company, the loan in substance forms part of the Company's investment cost in a wholly-owned subsidiary, Nation Rich Investments Limited. Based on the assessment of the financial position of the subsidiaries as at 31 December 2014, the estimated recoverable amount of the investment in the subsidiary is below the Company's investment cost and therefore, an impairment loss of HK$349,340,000 (2013: HK$296,340,000) has been recognised for the year ended 31 December 2014.

(b) An allowance of HK$144,764,000 (2013: HK$138,546,000) for the amounts due from subsidiaries was recognised as at 31 December 2014 because the related recoverable amounts of the balances due from subsidiaries were estimated to be less than their carrying amounts, after taking into account of the financial position of the subsidiaries.

(c) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

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FOR THE YEAR ENDED 31 DECEMBER 2014

19. INTERESTS IN SUBSIDIARIES *(Continued)*

(d) The following list contains the particulars of subsidiaries which affected the results, assets and liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

		Proportion of ownership interest				
Name	Place of incorporation/ operation	Group's effective interest	Held by the Company	Held by a subsidiary	Issued and paid up capital	Principal activities
Ace Elect Investments Limited	Hong Kong	100%	–	100%	HK$1	Electronic components trading
Alpha Guidance Limited	Hong Kong	100%	–	100%	HK$1	Electronic components trading
Barraza Company Limited	Hong Kong	100%	100%	–	HK$2	Provision of secretarial services
Canada Can-Elite Energy Limited	Canada/PRC	100%	–	100%	Can$10,000	Coalbed methane gas exploration and development and exploitation
Champ Success International Limited	Hong Kong	80%	–	80%	HK$2	Electronic components trading
Ever Double Investments Limited	British Virgin Islands ("BVI")/ Hong Kong	100%	100%	–	US$1	Investment holding
Fortune Spring International Limited	BVI	100%	100%	–	US$1	Investment holding
Goal Reach Investments Limited	Hong Kong	100%	–	100%	HK$1	Investment holding
Magic Chance Investments Limited	BVI	100%	100%	–	US$1	Securities trading
Merit First Investments Limited	BVI	100%	–	100%	US$1	Investment holding
Nation Rich Investments Limited	BVI	100%	100%	–	US$1	Investment holding

19. INTERESTS IN SUBSIDIARIES *(Continued)*

(d) *(Continued)*

Name	Place of incorporation/ operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Issued and paid up capital	Principal activities
New Smart Holdings Limited	Hong Kong	100%	100%	–	HK$2	Provision of corporate services
New Smart Energy Group Limited	Hong Kong	100%	100%	–	HK$1	Inactive
New Smart Credit Service Limited	Hong Kong	100%	100%	–	HK$1	Provision of financing services
Powerful Sky Investments Limited	BVI	100%	–	100%	US$1	Investment holding
Profit Giant Investments Limited	BVI	100%	100%	–	US$1	Investment holding
Smart Class Investments Limited	Hong Kong	100%	–	100%	HK$1	Investment holding
Strong Way International Limited	Hong Kong	60%	–	60%	HK$5,200,000	Electronic components trading
U-Cyber (Nominees) Limited	Hong Kong	100%	100%	–	HK$2	Inactive
U-Cyber Investment (Nominees) Limited	Hong Kong	100%	100%	–	HK$2	Inactive
Wisedeal Investments Limited	BVI	100%	100%	–	US$1	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INTERESTS IN SUBSIDIARIES *(Continued)*

(d) *(Continued)*

Name	Place of incorporation/ operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Issued and paid up capital	Principal activities
廣東碩華投資有限公司 *(note i)*	PRC	100%	–	100%	RMB30,000,000	Provision of financing services
駿達朝陽(北京)投資管理諮詢有限公司 *(note i)*	PRC	100%	–	100%	HK$2,500,000	Property investment
深圳市白雲能源技術有限公司 *(note i)*	PRC	100%	–	100%	RMB4,409,057	Provision of technology services for CBM development and utilisation

Note:

(i) These companies are wholly foreign-owned enterprises established in the PRC.

(e) The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2014 and 2013.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group and The Company	
	2014	2013
	HK$'000	*HK$'000*
Club debentures at fair value	**1,000**	1,000

Note:

The fair value of the available-for-sale financial assets is estimated by the directors of the Company with reference to the value expected to be realised.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Held for trading investments:		
Listed investment in Hong Kong at fair value *(note)*	**38,592**	31,037

Note:

The fair values of the listed securities are determined by reference to their respective quoted market prices available on the relevant exchange at the end of the reporting period. The change in fair values of HK$10,907,000 (2013: HK$2,610,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2014.

22. LOAN RECEIVABLES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Treasury business:		
– Secured short-term loans	**–**	4,059

As at 31 December 2013, secured short-term loans represented short-term loans advanced to independent third party borrowers with collateral over their properties, bearing interest ranging from 1.225% to 1.25% per month and are subject to demand repayment clause.

The Group has no outstanding short-term loans due from independent third party borrowers as at 31 December 2014.

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables *(note (a))*	**14,170**	12,930	**–**	–
Less: Allowance for doubtful debts *(note (b))*	**(329)**	(329)	**–**	–
	13,841	12,601	**–**	–
Other receivables *(note (c))*	**85,440**	85,368	**35,077**	35,042
Deposits and prepayments	**1,222**	1,780	**272**	452
	86,662	87,148	**35,349**	35,494
	100,503	99,749	**35,349**	35,494

Notes:

(a) Ageing analysis of trade receivables

The ageing analysis of the trade receivables of the Group, net of allowance for doubtful debts, is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
0-30 days	**10,236**	8,255
31-90 days	**3,605**	4,346
91-365 days	**–**	–
Over 365 days	**329**	329
	14,170	12,930
Less: Allowance for doubtful debts	**(329)**	(329)
	13,841	12,601

The credit terms granted to trade receivables in respect of sale of electronic components are due within 30 days to 90 days from the date of billing.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the allowance for doubtful debts during the year are as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**329**	329
Reversal of impairment loss	**–**	–
At 31 December	**329**	329

At 31 December 2014, the Group's trade receivables of HK$329,000 (2013: HK$329,000) were individually determined to be impaired. The individually impaired receivables related to customers in financial difficulties and the management assessed that it is highly unlikely that these receivables can be recovered. The Group does not hold any collateral over the trade receivables.

There is no trade receivable past due but not impaired at the end of both reporting periods.

(c) Included in other receivables of the Group and the Company were aggregate sums of HK$85,000,000 (2013: HK$85,000,000) and HK$35,000,000 (2013: HK$35,000,000) which were escrow monies placed at the escrow accounts of a firm of solicitors which acted as an escrow agent for the Group and the Company. The Group and the Company have instituted legal proceedings against the escrow agent for the return of these escrow sums as referred to in note 35(a). The directors of the Company are of the opinion, based on the legal advice sought, that the escrow monies can be recovered in full and therefore no impairment is required as at 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

24. CASH AND BANK BALANCES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and in hand	**109,932**	42,260	**80,476**	18,448
Less: Pledged bank deposits	**(180)**	(180)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**109,752**	42,080	**80,476**	18,448

Bank balances carry interest ranging from 0.01% to 3.3% (2013: from 0.01% to 2.86%) per annum. Short-term bank deposits amounting to HK$180,000 (2013: HK$180,000) carry fixed interest rate of 0.1125% (2013: 0.0625%) per annum and are pledged to a bank to secure banking facilities granted to the Group.

25. OTHER BORROWING, UNSECURED

Other borrowing, relating to the CBM business under the PSC (note 18) and payable to an independent third party, is unsecured, interest free and with no fixed repayment terms.

26. CONVERTIBLE NOTES, UNSECURED

The convertible notes issued on 26 November 2008 (the "Old Convertible Notes"), carried zero interest, would mature on 26 November 2013. The noteholders were entitled to convert any part of the principal amount into ordinary shares of the Company at initial conversion price of HK$0.25 per share, subject to adjustment, at any time between the date of issue of the Old Convertible Notes and 26 November 2013. The fair value of Old Convertible Notes was divided into a liability component and an embedded derivative component. The conversion price of the Old Convertible Notes was adjusted to HK$1.24 on 28 September 2011. Implicit interest was accrued on the liability component of the Old Convertible Notes by applying an effective interest rate of 1.29% per annum determined on the issue date.

On 30 November 2012, the Company and each of the Old Convertible Notes holders entered into convertible notes restructuring agreements to restructure certain terms of the Old Convertible Notes. On 28 January 2013, the liability and embedded derivative components of the Old Convertible Notes, with principal amount of HK$695,000,000, had been derecognised as a result of substantial changes in the terms of the Old Convertible Notes.

26. CONVERTIBLE NOTES, UNSECURED *(Continued)*

On 28 January 2013, the Company issued new convertible notes with principal amounts of HK$655,000,000 and HK$40,000,000 to New Alexander Limited and Toprise Capital Limited, respectively (collectively referred to as the "Existing Convertible Notes") in exchange for their holdings in the Old Convertible Notes. Both New Alexander Limited and Toprise Capital Limited are independent third parties of the Group.

The initial conversion price of the Existing Convertible Notes was HK$0.065 per share, subject to anti-dilutive adjustment, bear interest at 2% per annum, payable semi-annually in arrears on 30 June and 31 December, and will mature on 31 December 2015. The holders of the Existing Convertible Notes shall have the right to convert the whole or any part of the principal amount of the Existing Convertible Notes into ordinary shares of the Company, at any time between the date of issue of the Existing Convertible Notes and 31 December 2015.

The Existing Convertible Notes contain two components, liability and embedded derivatives. The liability component is classified as current liabilities in the current year and carried at amortised cost using the effective interest method. The embedded derivatives component is classified as current liabilities in the current year and carried at fair value. The effective interest rate of the liability component for the Existing Convertible Notes is 16.40% per annum.

The conversion price of the Existing Convertible Notes was adjusted to HK$0.13 on 20 May 2013 and to HK$0.12 on 30 May 2013 upon completion of the share consolidation and rights issue with bonus warrants as detailed in note 29.

The following key inputs and data were applied to the Binomial Lattice Model for the derivatives embedded in the convertible notes at 31 December 2014 and 2013.

	At 31/12/2014	At 31/12/2013
Share price	**HK$0.32**	HK$0.125
Conversion price	**HK$0.12**	HK$0.12
Risk free rate	**0.130%**	0.333%
Expected dividend yield	**Nil**	Nil
Annualised volatility	**69.50%**	47.58%

The share price at the valuation date was extracted from Bloomberg. The risk free rate was determined with reference to the yield of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the conversion options embedded in the convertible notes as extracted from Bloomberg.

During the year ended 31 December 2013, Existing Convertible Notes with principal amount of HK$18,000,000 were redeemed, resulting in a gain of HK$21,000 which was recognised in profit or loss.

During the year ended 31 December 2014, no Existing Convertible Notes were redeemed.

26. CONVERTIBLE NOTES, UNSECURED *(Continued)*

The movements of the embedded derivatives portion (at fair value) and liability portion (at amortised cost) of the Old Convertible Notes and the Existing Convertible Notes are as follows:

Old Convertible Notes due on 26 November 2013

	The Group and the Company		
	Embedded derivatives portion *HK$'000*	**Liability portion** *HK$'000*	**Total** *HK$'000*
Carrying amount of convertible notes (with principal value of HK$695,000,000) as at 1 January 2013	–	686,972	686,972
Imputed interest amortised charged to consolidated statement of profit or loss	–	678	678
Carrying amount immediately before restructuring	–	687,650	687,650
Fair value at the date of restructuring	–	(695,000)	(695,000)
Loss on restructuring upon derecognition	–	7,350	7,350
Carrying amount of convertible notes	–	–	–

26. CONVERTIBLE NOTES, UNSECURED *(Continued)*

Existing Convertible Notes due on 31 December 2015

	The Group and the Company		
	Embedded derivatives portion	**Liability portion**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Issue of convertible notes on 28 January 2013	217,397	477,603	695,000
Imputed interest amortised charged to consolidated statement of profit or loss	–	70,399	70,399
Decrease in fair value credited to consolidated statement of profit or loss	(56,547)	–	(56,547)
Redemption	(4,494)	(13,167)	(17,661)
Interest paid	–	(5,860)	(5,860)
Carrying amount of convertible notes (with principal value of HK$677,000,000) as at 31 December 2013 and 1 January 2014	156,356	528,975	685,331
Imputed interest amortised charged to consolidated statement of profit or loss	–	85,158	85,158
Increase in fair value charged to consolidated statement of profit or loss	8,929	–	8,929
Interest paid	–	(20,366)	(20,366)
Carrying amount of convertible notes (with principal value of HK$677,000,000) as at 31 December 2014	165,285	593,767	759,052

At 31 December 2014, Existing Convertible Notes with principal value of HK$677,000,000 remained outstanding.

Subsequent to 31 December 2014 and on 30 January 2015, Existing Convertible Notes with principal value of HK$40,000,000 have been converted into 333,333,333 ordinary shares. On 5 February 2015, the Company entered into a conditional agreement ("Convertible Notes Restructuring Agreement") with the noteholder holding the remaining part of the Existing Convertible Notes with aggregate principal value of HK$637,000,000 to restructure the terms of the Existing Convertible Notes issued by the Company. Upon completion of the stipulated conditions precedent to the Convertible Notes Restructuring Agreement, the Company will issue new convertible notes with principal value of HK$637,000,000 ("New Convertible Notes") for settlement of the Existing Convertible Notes.

26. CONVERTIBLE NOTES, UNSECURED *(Continued)*

The New Convertible Notes will be convertible into shares of the Company at initial conversion price of HK$0.12 (subject to adjustments at any time during the period, commencing from the issue date), will bear interest at the coupon rate of 2% per annum and will mature on 31 December 2018.

As disclosed in note 37 to the consolidated financial statements, the conditional Convertible Notes Restructuring Agreement has been approved by the shareholders of the Company at its extraordinary general meeting held on 12 March 2015 and the stipulated conditions precedent to the Convertible Notes Restructuring Agreement have subsequently been fulfilled by the Company with effect on 20 March 2015.

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables *(note (a))*	**2,495**	5,780	**–**	–
Other payables	**16,702**	20,553	**–**	–
Amounts due to non-controlling interests of a subsidiary	**12,054**	8,062	**–**	–
Accrued operating expenses *(note (b))*	**15,560**	3,848	**9,710**	1,016
	46,811	38,243	**9,710**	1,016

Notes:

(a) Ageing analysis of trade payables

The ageing analysis of the trade payables of the Group, based on the dates of the invoices, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Current – within 1 month	**968**	1,856
More than 1 month but within 3 months	**1,406**	3,340
More than 3 months but within 6 months	**24**	313
More than 6 months	**97**	271
	2,495	5,780

(b) Accrued operating expenses of the Group mainly consist of approximately HK$8,700,000 referral fee for bonds issuance, HK$3,618,000 for the provision of construction in progress relating to coalbed methane business and HK$1,620,000 for the provision of administrative fee to China United under the PSC.

28. BONDS

	The Group and the Company		
	Unlisted bond ("Bond I")	**Unlisted bond ("Bond II")**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Note (a))	*(Note (b))*	
At 1 January 2014	–	–	–
Issue of bonds, net of transaction cost	78,300	900	79,200
Interest charge	256	9	265
Less: Interest paid	(171)	(5)	(176)
At 31 December 2014	78,385	904	79,289

Notes:

(a) During the year, Bond I with an aggregate principal amount of HK$10,000,000 were issued to the subscriber through the placing agent and with an aggregate principal amount of HK$77,000,000 were issued to individual subscribers with the interest rate of 6% payable annually. Bond I will be matured and redeemed by the Company on the third anniversary of the date of issue correspondingly.

The imputed interest expenses on Bond I were calculated using effective interest method with average effective interest rate of 9.98% per annum.

(b) During the year, Bond II with an aggregate principal amount of HK$1,000,000 were issued to the subscriber through the placing agent with the interest rate of 7% payable annually. Bond II will be matured and redeemed by the Company on the fifth anniversary of the date of issue correspondingly.

The imputed interest expense on Bond II was calculated using effective interest method with effective interest rate of 9.58% per annum.

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29. SHARE CAPITAL

	Number of shares	Nominal value
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2013	25,000,000,000	250,000
Share consolidation *(note (a))*	(12,500,000,000)	–
Ordinary shares of HK$0.02 each at 31 December 2013 and 1 January 2014	12,500,000,000	250,000
At 31 December 2014 *(note (b))*	N/A	N/A
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 January 2013	6,638,473,206	66,385
Share consolidation *(note (a))*	(3,319,236,603)	–
Issue of shares upon rights issue *(note (c))*	331,923,660	6,638
Issue of shares upon exercise of warrants *(note 30)*	28,273,728	566
Ordinary shares of HK$0.02 each at 31 December 2013 and 1 January 2014	3,679,433,991	73,589
Issue of shares upon exercise of warrants *(note 30)*	389,983,998	45,899
Transition to no-par value regime *(note (d))*	–	1,424,817
Lapse of warrants *(note (e))*	–	8,128
At 31 December 2014	4,069,417,989	1,552,433

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(a) Share consolidation

Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 20 May 2013, every two issued and unissued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.02 each with effect from 21 May 2013.

(b) New Companies Ordinance

Under the Hong Kong Companies Ordinance (Cap. 622), which effective from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par or nominal value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

29. SHARE CAPITAL ***(Continued)***

(c) Issue of shares upon rights issue

On 24 June 2013, the Company issued 331,923,660 rights shares of HK$0.02 each at a price of HK$0.13 per rights share on the basis of one rights share for every ten shares held on 29 May 2013 with bonus warrants on the basis of two bonus warrants for every one rights share taken up.

(d) Transition to no-par value regime

In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital.

(e) Lapse of warrants

On 23 June 2014, bonus warrants issued in 2013 had been lapsed. The warrant reserve was transferred to share capital.

All the new shares issued during the year ended 31 December 2014 and 2013 ranked pari passi with the then existing shares in all respects.

30. WARRANTS

On 24 June 2013, 663,847,320 bonus warrants ("Old Warrants") were issued on the basis of two bonus warrants for every one rights share taken up. Each Old Warrant entitled the holder to subscribe one share of the Company at an initial exercise price of HK$0.10, subject to adjustments in accordance with the terms of the warrants. The Old Warrants were exercisable at any time during the period commencing from 24 June 2013 to 23 June 2014 (both dates inclusive).

During the year ended 31 December 2014, 389,645,561 (2013: 28,273,728) ordinary shares were issued for cash at an exercise price of HK$0.10 per share. There are no Old Warrants outstanding as at 31 December 2014 as they had become lapsed on 23 June 2014.

On 27 November 2014, the Company issued a total of 542,543,940 new bonus warrants ("New Warrants") on the basis of two bonus warrants for every fifteen shares of the Company held by the shareholders on 19 November 2014. The holders of these New Warrants are entitled to subscribe in cash at any time during the period commencing from 27 November 2014 to 26 November 2015 (both dates inclusive) for 542,543,940 ordinary shares at an initial subscription price of HK$0.35 per share (subject to adjustment).

During the year ended 31 December 2014, 338,437 ordinary shares were issued for cash at subscription price of HK$0.35 per share. At 31 December 2014, there were 542,205,503 New Warrants outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

31. RESERVES

(a) Movements in components of reserves

The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated reserves is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

The Company

	Share premium *HK$'000* *Note (b)(i)*	Capital redemption reserve *HK$'000* *Note (b)(i)*	Special capital reserve *HK$'000* *Note (b)(ii)*	Warrant reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2013	1,397,856	5,318	579,799	–	(331,892)	1,651,081
Loss and total comprehensive expenses for the year	–	–	–	–	(301,597)	(301,597)
Issue of shares under rights issue, net of share issuance costs *(note 29(c))*	34,344	–	–	–	–	34,344
Issue of warrants *(note 30)*	(21,941)	–	–	21,941	–	–
Issue of shares upon exercise of warrants *(note 30)*	3,196	–	–	(934)	–	2,262
At 31 December 2013 and 1 January 2014	1,413,455	5,318	579,799	21,007	(633,489)	1,386,090
Loss and total comprehensive expenses for the year	–	–	–	–	(171,468)	(171,468)
Issue of shares upon exercise of warrants *(note 30)*	6,044	–	–	(12,879)	–	(6,835)
Transition to no-par value regime	(1,419,499)	(5,318)	–	–	–	(1,424,817)
Transfer upon expiration of warrants	–	–	–	(8,128)	–	(8,128)
At 31 December 2014	–	–	579,799	–	(804,957)	(225,158)

31. RESERVES *(Continued)*

(a) Movements in components of reserves *(Continued)*

Pursuant to the reductions in capital of the Company in 2003 ("2003 Capital Reduction"), 2009 ("2009 Capital Reduction") and 2012 ("2012 Capital Reduction"), the Company has undertaken that in the event of its making any future recoveries in respect of the provisions against certain specific subsidiaries as at 31 December 2002, 2008 and 2011, respectively, all such recoveries up to maximum amounts of HK$367,938,000 in relation to 2003 Capital Reduction, HK$130,663,000 in relation to 2009 Capital Reduction and HK$171,025,000 in relation to 2012 Capital Reduction, will be credited to a special capital reserve of the Company, which shall not be treated as realised profits for the purpose of section 79B of the Hong Kong Companies Ordinance (Cap.32) and shall be treated as an un-distributable reserve of the Company for the purpose of section 79C of the Hong Kong Companies Ordinance (Cap.32).

At 31 December 2014 and 2013, no credit transfer to this special capital reserve was made by the Company as there were no recoveries in respect of these provisions against certain specific subsidiaries in 2014 and 2013.

(b) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance (Cap. 32).

In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, the amount standing to the credit of the share premium account of HK$1,419,499,000 and the capital redemption reserve of HK$5,318,000 has become part of the Company's share capital.

(ii) Special capital reserve

Pursuant to 2009 Capital Reduction and 2012 Capital Reduction, the amounts of HK$492,172,000 and HK$87,627,000 by which the capital reductions exceed the total accumulated losses of permanent nature of the Company as at 31 December 2008 and 31 December 2011, have been credited to a special capital reserve of the Company which shall not be treated as realised profits for the purpose of section 79B of the Hong Kong Companies Ordinance (Cap. 32) and shall be treated as an un-distributable reserve of the Company for the purpose of section 79C of the Hong Kong Companies Ordinance (Cap. 32).

(iii) Other capital reserve

The other capital reserve represents negative goodwill on the acquisition of an associated company in 2000.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and foreign operations. The reserve is dealt with in accordance with the accounting policies in note 3(i) to the consolidated financial statements.

(v) Distributable reserves

As at 31 December 2014, the aggregate amount of reserves available for distribution to owners of the Company, as calculated under the section 79B of Hong Kong Companies Ordinance (Cap. 32) was Nil (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. SHARE OPTION SCHEME

The share option scheme of the Company adopted on 29 December 2004 was terminated by the shareholders of the Company at the Company's extraordinary general meeting held on 11 November 2014 before its expiration on 28 December 2014. The Company operates a share option scheme (the "Scheme") approved by the shareholders on 11 November 2014, under which the directors of the Company may, at their discretion, offer any eligible participants (including any directors) of the Company or of any of its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. For each lot of the share options granted, the participants will pay a nominal consideration of HK$1. The period within which the shares must be taken up under an option is determined by the board of directors of the Company from time to time, except that such period shall not exceed ten years from the date of grant of the options.

The exercise price of the share options is determinable by the directors, that it shall be at least the higher of (i) the closing price of the Company's shares on the Stock Exchange on that date of grant of share options; and (ii) the average Stock Exchange's closing price of the Company's shares for the five business days immediately preceding the date of the grant.

The maximum number of shares of the Company issuable upon exercise of all share options granted and to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at 11 November 2014. This limit can be refreshed by the shareholders of the Company in a general meeting in accordance with the provisions of the Listing Rules. The maximum number of shares issuable under share options granted to each eligible participant under the Scheme within any twelve-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

There were no share options granted and exercised during the two years ended 31 December 2014 and 2013. There were no share options outstanding as at 31 December 2014 and 2013.

33. EMPLOYEE RETIREMENT BENEFITS

The Group operates a mandatory provident fund scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$ 25,000 from 1 January 2013 to 31 May 2014). Contributions to the plan vest immediately. The Group has no other material obligation for the payment of pension benefits associated with the MPF Scheme beyond the annual contributions described above.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in a defined contribution retirement scheme organised by the local government, whereby the Group is required to make contributions to the pension fund scheme at a certain percentage of the employees' relevant basic salaries. Contributions to the scheme vest immediately.

The Group's contributions to employee retirement benefits for the year ended 31 December 2014 were HK$1,305,000 (2013: HK$1,075,000). At 31 December 2014, there was no material outstanding contribution to employee retirement benefits.

34. COMMITMENTS

(a) Capital commitments outstanding as 31 December 2014 not provided for in the consolidated financial statements were as follows:

	The Group	
	2014	2013
	HK\$'000	*HK\$'000*
Production Sharing Contract		
– Contracted but not provided for	**26,558**	51,399

The Company had no other material capital commitments at the end of both reporting periods.

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014	2013
	HK\$'000	*HK\$'000*
Within 1 year	**2,007**	3,359
After 1 year but within 5 years	**1,081**	1,460
	3,088	4,819

Operating lease payments represent rentals payable by the Group for certain office premises in Hong Kong and the PRC. Leases and rentals are negotiated and fixed respectively for an average term of two years. The Company had no other material operating lease commitments at the end of both reporting periods.

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35. CONTINGENCIES

(a) Legal proceedings

At the end of the reporting period, the Group had escrow monies in the sum of HK$85,000,000 placed at a firm of solicitors in Hong Kong, K&L Gates, as an escrow agent of the Group. Despite the repeated requests served to K&L Gates for the release of the escrow monies, the Group had not received the escrow monies. It was reported that a partner in K&L Gates was arrested by the Hong Kong Police and charged with theft and forgery with respect to escrow monies held in escrow accounts; as of the date of this report, the case was concluded in the Court of First Instance when the partner pleaded guilty and was sentenced to 12 years' imprisonment. The Group has instituted legal proceedings against K&L Gates, claiming for the return of the escrow monies. The directors of the Company are of the opinion, based on the legal advice sought, that the escrow monies can be recovered in full, and therefore, no impairment is required as at 31 December 2014.

(b) Environmental contingencies

The Group has not incurred any significant expenditure for environment remediation and is currently not involved in any environmental remediation. In addition, the Group has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants irrespective of whether they are operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is not determinable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material.

36. RELATED PARTY TRANSACTIONS

Other than the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material related party transactions.

Key management personnel compensation

	2014	2013
	HK$'000	*HK$'000*
Salaries and benefits in kind	**6,041**	8,640
Discretionary bonus	**97**	173
Retirement scheme contributions	**97**	79
	6,235	8,892

Total remuneration is included in "staff costs" (see note 11).

	2014	2013
	HK$'000	*HK$'000*
Amount due to non-controlling interests	**12,054**	8,062

The amount due to the non-controlling interests is unsecured, interest free and repayment on demand.

37. EVENT AFTER THE REPORTING PERIOD

On 30 January 2015, the Existing Convertible Notes with principal value of HK$40,000,000 have been fully converted into 333,333,333 ordinary shares. An ordinary resolution was passed at the extraordinary general meeting of the Company held on 12 March 2015 to approve the conditional Convertible Notes Restructuring Agreement as referred to in note 26 for the issue of New Convertible Notes with principal value of HK$637,000,000 for settlement of the remaining part of the Existing Convertible Notes with principal value of HK$637,000,000. On 20 March 2015, all of the stipulated conditions precedent to the Convertible Notes Restructuring Agreement have been fulfilled and the New Convertible Notes were issued on the same date.

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

FINANCIAL SUMMARY

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**146,021**	97,857	37,694	36,375	46,163
Loss before tax	**(223,185)**	(453,906)	(257,302)	(565,104)	(21,673)
Income tax	**26,085**	100,120	54,345	136,616	31,642
(Loss) profit for the year from continuing operations	**(197,100)**	(353,786)	(202,957)	(428,488)	9,969
Profit for the year from discontinued operations, net	**–**	–	–	34,419	–
(Loss) profit for the year	**(197,100)**	(353,786)	(202,957)	(394,069)	9,969
Other comprehensive (expenses) income for the year	**(10,083)**	65,938	14,163	66,161	98,945
Total comprehensive (expenses) income for the year	**(207,183)**	(287,848)	(188,794)	(327,908)	108,914
(Loss) profit for the year attributable to:					
Owners of the Company	**(196,428)**	(353,176)	(202,223)	(393,397)	10,442
Non-controlling interests	**(672)**	(610)	(734)	(672)	(473)
	(197,100)	(353,786)	(202,957)	(394,069)	9,969

	As at 31 December				
	2014	2013	2012	2011	2010
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**2,885,729**	2,922,046	3,255,368	3,550,543	4,120,526
Total liabilities	**(1,544,305)**	(1,412,503)	(1,501,787)	(1,608,168)	(2,163,487)
Total equity	**1,341,424**	1,509,543	1,753,581	1,942,375	1,957,039
Non-controlling interests	**3,161**	2,489	1,879	1,145	473
Equity attributable to owners of the Company	**1,344,585**	1,512,032	1,755,460	1,943,520	1,957,512